

# BULLETIN of the National Association of Credit Men

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## CONTENTS

### PROCEEDINGS OF 23d ANNUAL CONVENTION

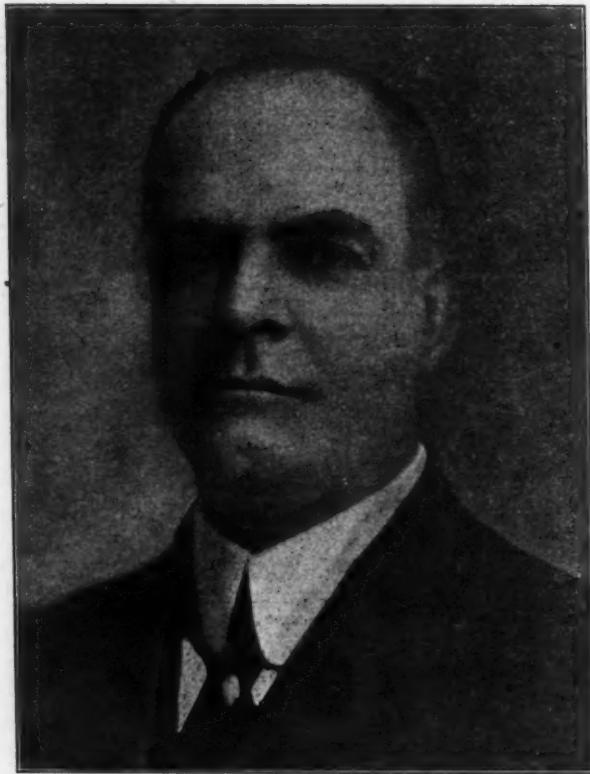
	PAGE
ADDRESSES:	
Address of Welcome, H. H. Merrick, President of Chicago Association of Credit Men	487
Response to Address of Welcome, F. M. Gettys, Louisville, Ky.	490
Address of Governor Frank O. Lowden of Illinois	504
Address, "Some Present-Day Credit Considerations," by Charles A. Hirsch, President American Bankers' Association, Cincinnati, O.	522
Address, "Broadening the Vision of the American Business Men," by Lewis E. Pierson, Irving National Bank, New York, N. Y.	544
Address, "What the Great War Means to America," by Edward James Cattell, Philadelphia, Pa.	572
Address, "Building Business Character Under War Conditions," by Dr. M. Ashby Jones, Atlanta, Ga.	594
Address, "Trade Acceptances and Cash Discounts," by George Woodruff, Joliet, Ill.	659
Address, "Preparing for the Future," by F. N. Shepherd, Chamber of Commerce of the United States	677
Address, "America's Opportunities," by John J. Arnold, First National Bank of Chicago	696
Address, "Commercial Credit; Its Place and Importance in National Development," by Prof. William A. Scott, University of Wisconsin	712
Address, "Humanities of Credit," by Lee M. Hutchins, Grand Rapids, Mich.	734
Address, "Helping a Nation to Save," by Shaler Matthews, Dean, University of Chicago	743
Address, "America's Share in the War—Financial and Otherwise," by Hon. John Burke, Treasurer of the United States	749
Address, "The Federal Reserve Bank," by David R. Forgan, Chicago, Ill.	775
Address, "Looking Out for Our Men of the Army and Navy," by Allen D. Albert, Chicago, Ill.	781
ADJUSTMENT BUREAU:	
Report of Committee	607
Resolutions of Committee	608
AMENDMENTS TO EXEMPTION LAWS:	
Report of Committee	644
Resolutions of Committee	646
BANKING AND CURRENCY:	
Report of Committee	651
Resolutions of Committee	656
BANKRUPTCY LAW:	
Report of Committee	553
Resolutions of Committee	561
Remarks of Chairman	562
BUSINESS LITERATURE:	
Report of Committee	613
Resolutions of Committee	616
BUSINESS MELTINGS:	
Report of Committee	684
Resolutions of Committee	686
COMMERCIAL ARBITRATION:	
Report of Committee	789
Resolutions of Committee	792

## CONTENTS—(Continued)

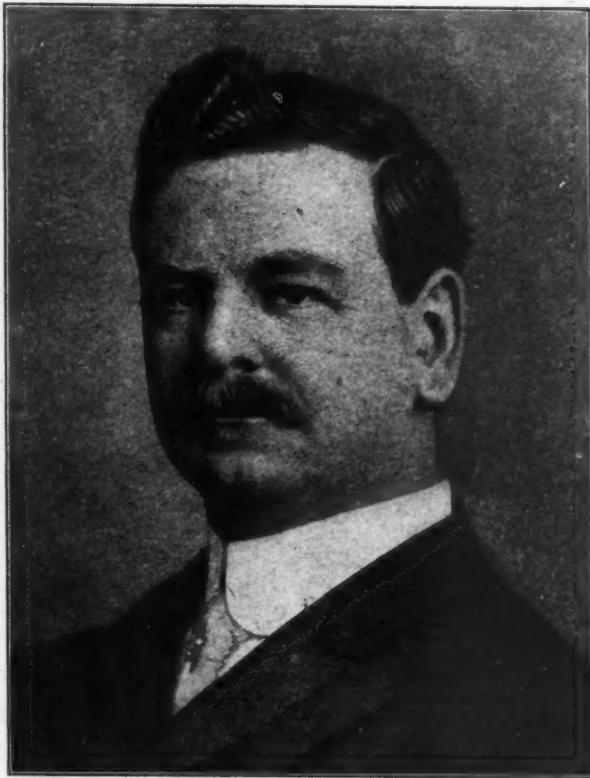
	PAGE
<b>COMMERCIAL ETHICS:</b>	
Report of Committee .....	604
Resolutions of Committee .....	606
<b>CONDITIONAL SALES LAW:</b>	
Report of Committee .....	641
Resolutions of Committee .....	642
<b>CONFERENCE SUBJECTS:</b>	
"The Credit Man—What He Is, What He Has to Do; How Constructed?" led by J. M. Paul, Minneapolis, Minn., and H. C. Workmaster, Pittsburgh, Pa. ....	532
"Building Successful Merchants: What May and Should Be Done for Such Constructive Work," led by H. T. Barker, Providence, R. I., and C. H. Speck, Peoria, Ill. ....	582
"Some New Features, Such as War Taxation, That Must Be Reckoned with as Determining Factors in Credit Granting," led by R. D. Wilson, Omaha, Neb., and E. W. Stout, Indianapolis, Ind. ....	620
"Causes and Symptoms of Commercial Failures: Remedies and Treatment of Them," led by W. E. Tarlton, St. Louis, Mo., and H. T. Hill, Nashville, Tenn. ....	667
"The Future; Its Probable Problems and What Credit Men May Do to Meet Them," led by T. J. Bartlette, New Orleans, La. ....	699
"The Return of Merchandise," by A. P. Wettstein .....	703
"Depreciation as a Business Cost; to What Extent to Be Reckoned With?" led by Alexander Wall, Detroit, Mich. ....	737
CONVENTION COMMITTEES .....	807
<b>CREDIT COOPERATION:</b>	
Introductory Remarks by Chairman .....	564
Report of Committee .....	565
Resolutions of Committee .....	568
<b>CREDIT DEPARTMENT METHODS:</b>	
Report of Committee .....	600
Resolutions of Committee .....	693
<b>CREDIT EDUCATION AND MANAGEMENT:</b>	
Report of Committee .....	691
Resolutions of Committee .....	694
<b>CREDIT INTERCHANGE:</b>	
Report of Committee .....	726
Resolutions of Committee .....	728
Report on Central Interchange .....	739
<b>ELECTION OF OFFICERS:</b>	
President, Fred B. McComas .....	796
First Vice-President, Curtis R. Burnett .....	799
Second Vice-President, A. E. Gilster .....	803
Vote for Directors .....	805
<b>FIRE INSURANCE:</b>	
Report of Committee .....	687
Resolutions of Committee .....	690
<b>FOREIGN CREDITS:</b>	
Report of Committee .....	721
Resolutions of Committee .....	724
<b>INVESTIGATION AND PROSECUTION:</b>	
Introductory Remarks by Chairman .....	512
Report of Committee .....	514
Resolutions of Committee .....	521
<b>LEGISLATIVE:</b>	
Report of Committee .....	647
Resolutions of Committee .....	650
<b>MEMBERSHIP</b>	
Report of Committee .....	763
Resolutions of Committee .....	767
Membership of Local Associations .....	768
Scale Showing Growth of the Association .....	771
Award of Membership Trophy .....	773

## CONTENTS—(Continued)

	PAGE
<b>MERCANTILE AGENCY SERVICE:</b>	
Introductory Remarks by E. F. Sheffey, Chairman .....	632
Report of Committee .....	635
Resolutions of Committee .....	638
<b>REPORTS OF COMMITTEES:</b>	
Adjustment Bureau .....	607
Banking and Currency .....	651
Bankruptcy Law .....	553
Business Literature .....	613
Business Meetings .....	684
Commercial Arbitration .....	789
Commercial Ethics .....	604
Conditional Sales .....	642
Credit Cooperation .....	265
Credit Department Methods .....	600
Credit Education and Management .....	691
Credit Interchange .....	726
Exemption Laws .....	644
Fire Insurance .....	687
Foreign Credits .....	724
Investigation and Prosecution .....	514
Legislative .....	647
Membership .....	763
Mercantile Agency Service .....	635
<b>REPORTS OF OFFICERS:</b>	
President's Report .....	491
Secretary's Report .....	497
Treasurer's Report .....	502
<b>RESOLUTIONS (SPECIAL):</b>	
Pledging This Association to the Administration and Endorsing Work of American Red Cross .....	628
Opposing Guarantee of National Bank Deposits .....	640
Appreciation of Part Business Men Have Been Able to Take in Prosecu- tion of War .....	640
A Message to the Members of the Association Who Have Entered Active War Service .....	640
Depreciating Use of Liberty Bonds in Liquidating Commercial Obliga- tions .....	758
Stressing Importance of Sustaining War Savings Campaign .....	758
Decrying the Waste Due to Business Abuses Such as Return of Mer- chandise and Taking Unearned Discounts .....	759
Regarding Promotion Here of Body Similar to London Council of Commerce .....	759
Regarding Formation of Council of War Credits .....	759
Regarding Universal Use of "U. S. A." Mark on Goods for Foreign Shipments .....	760
For Use of Acceptances to Cover Railway Purchases .....	760
For Formation of Local Committees on Income and Excess Profits Taxes .....	760
For Liberal Allowances to Keep Our Highways Fit for Commercial Traffic .....	761
For Cooperation with Federal Service Boards .....	761
For Universal Military Training .....	762
For Formation of Credit Association's Bureaus at City of Washington ..	786
Endorsement of Work of Federal Reserve Board .....	786
Endorsement of Wide Use of Trade Acceptance and Alliance with American Trade Acceptance Council .....	787
Thanks to Those Addressing Convention .....	787
Thanks to Officers and Committeemen for Services .....	787
Thanks to Cooperation of Press .....	787
Thanks to Daily News Record of New York .....	788
Thanks to Men and Women of Chicago Association Who Acted as Hosts of Convention .....	788
Appreciation of Attitude of Dallas Association Regarding Change of Convention City .....	788
Appreciation of Splendid Efforts of American Women in Prosecution of War .....	788
Messages to Convention .....	806
Standing Convention Committees .....	807
Information Wanted .....	809
Addresses Wanted .....	809
Wants .....	810
Directory .....	811



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# BULLETIN of the National Association of Credit Men

VOL. XX

AUGUST, 1918

No. 8

## Proceedings of the Twenty-Third Annual Convention of the National Association of Credit Men, Held at Chicago, Illinois, June 18th, 19th, 20th and 21st, 1918.

The opening session of the twenty-third annual convention of the National Association of Credit Men was called to order by President S. J. Whitlock at 10 o'clock, Tuesday, June 18, in the Majestic Theatre, Chicago, following a concert given by the Jackies' Band from the Great Lakes Naval Training Station.

PRESIDENT WHITLOCK—I declare the twenty-third annual convention of the National Association of Credit Men is now in session. We will all rise, sing the national anthem and remain standing after we have finished. (National anthem was here sung.)

The invocation was pronounced by the Rt. Rev. Samuel Fallows, Brigadier-General of the United States Army.

PRESIDENT WHITLOCK—We are to be favored this morning with an address of welcome by one of Chicago's citizens who typify, to a greater extent possibly than any other, that good fellowship that permeates and also the good-will and "I will" spirit of this city; as president of the Chicago Association of Credit Men during the year just closing he has been instrumental in building up a large organization, a constructive organization and an ideal organization. It is, therefore, with a great deal of pleasure I present to you H. H. Merrick, president of the Chicago Association of Credit Men, to deliver to you the address of welcome. (Applause.)

### Address of Welcome in Behalf of the Chicago Association of Credit Men by H. H. Merrick, Its President

*Mr. President, Mr. Secretary-Treasurer, Governor Lowden and Friends:*

We of Chicago, we of the central west, are all mighty glad to have you here. We are mighty glad to be with you. The note that sounds for this convention comes first in the message in the invocation just pronounced by Gen. Samuel Fallows of the Civil War and again in the martial music you have heard from these, our Jackies, men from all the states who soon will go abroad.

In the olden days when our nation was young and it was a time of strife and of effort and the putting forth of energy against the elements and hard conditions, we of America were famous for one thing—good fellowship, friendship, the aid that one neighbor gave to another, and out of that came the thirteen states and out of that came America and our present United States.

That spirit of fellowship, of kindly good feeling, of the heartfelt hand-clasp in time of trouble, the touch of the elbow that comes from one neighbor to another, has at no time been so manifest as in this time of war. That, I feel, is the note of this great convention—the fellowship of America, that fellowship that we have for our Allies, for Belgium, for France, for Italy, for Serbia, for Great Britain whom we fought in the early days gone, our ally to-day—and here in Chicago, your Chicago just as much as it is mine and just as much as it is ours who live within its gates, your Chicago, I feel the pulsing, beating heart of this great nation.

From it the red blood of America goes out through veins and arteries to the remotest parts and to-day from one end of our land to the other, from the Caribbean on the south, where our neighbor, Cuba, lies, to our sister of the snows, our beloved Canada, on the north; from the China Seas with the Phillipines, to the battle-front in France, there is only one purpose, only one end to be sought and that is the winning of this war. (Applause.)

We of the credit men are meeting in convention here under solemn conditions. We have given to our convention properly the name of "War Convention." It is ours as the leaders of thought in our communities met here in convention to do all that within us lies to fortify our country in its time of stress, to aid the President and to uphold his arms in this time of strain and trouble, to back our boys at the front of the Army, of the Navy, and to see to it that our flag shall lead the van.

We are told that over 800,000 of our men are across the seas; we of the draft boards know that more than a million are in the camps, we know that from fifty to seventy thousand men are going forward weekly. Ships from all the world concentrate on New York and on the other harbors and they go forward laden with the gifts of the mothers of America—their boys. All of the pettinesses, all of the things not worth while have been cast aside and must be forgotten; I hope laid aside forever.

Party politics, the strife of class, the strife between poverty on the one hand and wealth on the other—all of these have been driven from the temple as were the money changers in Christ's day. In their place we have the urge for world democracy, the things worth while, for liberty and freedom, for the best good of all. Back of these America stands and it is prepared to send forward over its bridge of boats—answering the cry of Belgium, "Hurry, America, or we perish! Come to us quickly, or we die!" Millions on millions of men, billions on billions of treasure. Ships and then more ships, food and then more food must we send, for as in the days of Abraham Lincoln when men of our race went forward to save this Union with the chant ringing from the ranks, "We are coming, Father Abraham, one hundred thousand more!" to-day by

wireless and by thought transference, by the message that goes from one heart to another that knows no time or distance, we are sending to the boys in France and to our Allies who hold the line the message, "We are coming, oh, Belgium, France, Italy, Great Britain, we are coming one million men and then another million men and then more million men until at last the flag of the United States, the beloved Stars and Stripes, shall float out above Berlin!" (Applause.)

You may question whether this is a word of welcome. You might perhaps under other conditions question the propriety, but to-day our President labors without end, governors such as our war governor of whom we are so proud here in Illinois, labor almost beyond human endurance and each of us must do his part, each of us, man and woman—aye, even the children—must forget all of the things that seemed worth while in the past, must give of time and effort and of blood and of our children that the war may be won, give beyond the point where it hurts and to the point where all else ceases to be worth while.

Somehow the spirit of these men who are holding the line abroad is to be compared only with the spirit in the time of Greece, the spirit that was behind the men of Thermopoli and it is worth while that we study, those of us who of necessity must stay home, and we realize that the home guard, the men and the women who hold the lines behind the lines, have their part to play. Recently my attention was called to a little poem found upon the dead body of an Anzac on the battle line in No Man's Land in France, and it seemed to me that was worth while as a message to you. No man knows the name of the author, no man knows the name of this boy who died.

"Ye who have faith to look with fearless eyes  
Beyond the tragedy of a world at strife,  
And know that out of Death, the night, shall rise  
The dawn of ampler life;

"Rejoice! Whatever anguish rends the heart,  
That God has given you a priceless dower—  
To live in these great times, and have your part  
In Freedom's crowning hour;

"That ye may tell your sons who see the light  
High in the heavens, their heritage to take,  
I saw the powers of darkness put to flight,  
I saw the morning break."

(Applause.)

PRESIDENT WHITLOCK—The response to this address of welcome will be given by a former president of this National Association, a great friend of the Association and a man from the southland. He will also have to respond in behalf of the whole United States, as Mr. Moore is not present this morning. I introduce to you F. M. Gettys, of Louisville. (Applause.)

## Response to Address of Welcome by F. M. Gettys, Louisville, Ky.

I am especially honored in being permitted to try to express to the Chicago Credit Men's Association our appreciation of the privilege of gathering here in this, the twenty-third annual convention of the National Association of Credit Men.

In 1907, under the mellowing hospitality of this city, you bestowed upon me the highest office in your gift. Doubtless, this is the explanation of my being selected to say something to our hosts about the efficacy of the treatment administered to us then and that we may receive during this our second coming.

There are certain sections of the country where those who reside therein are, by tradition, commonly supposed to be the exclusive possessors of the only true and recognized brands of hospitality. This is another exploded theory. As a matter of fact, real hospitality knows neither latitude nor longitude, but exists in the hearts of manly men and womanly women, and the hospitality that is always in the first-line trenches to meet the oncoming rush of credit men is met with a return cordiality that is unparalleled, because there is no organization that comes together in a more appreciative spirit than this. Much of this sentiment has its inception in the close personal ties that are made and that hold through the binding force of our loyalty to a common cause.

It is the spirit, rather than the form, that makes an invitation a cherished something. When you receive engraved cards that Mr. and Mrs. Flapdoodle Got-Rocks will be pleased to have you dine with them at such-and-such an hour on such-and-such an evening, you have perhaps a mild sense of satisfaction; but on the occasion that finds you somewhat low-spirited—maybe with the family on vacation, the weather hot, business problems vexatious, you casually meet Jones, who slaps you on the back and by the heartiness of his greeting carries you out on the 5:15 to take pot-luck with him over the week-end, you are convinced that he has a great heart, that his hospitality is sincere, and, furthermore, you *know* that Jones *knows* that at your destination his fair partner is going to back him up, otherwise he would never risk it. (Applause.)

It would have been a pleasure and a source of education to have gone to Dallas and seen something of the commercial and agricultural development of the great southwest, which truly passes all understanding, but conditions of travel were such as to preclude the holding of this convention so far from the homes of those who would like to attend. So, the Chicago Association of Credit Men, with genuine hospitality, steps in the breach and says, "Come and take pot-luck with us," and we know that we are wanted here, and this knowledge makes for good fellowship and a great convention.

And so, kind hosts, we are not only glad to be with you—and wish that we might more adequately express our appreciation of the fact—but we are also glad to meet each other again. This would be a joy under even the most adverse circumstances, instead of a perfect setting like this. Some of us young men began to know each other and work in a common direction when we were of immature years, and lo! we are now in middle life; other young men of

us began in middle life, and are now elderly men; other young men of us came together in elderly life and now—computing in the less important way by the calendar—are old men. A plague on all your calendars!—(applause)—what difference does the flight of time make if our hearts are young, our viewpoint optimistic and our regard for and our faith in each other undimmed.

Indeed, as I look out over this sea of faces—some of them new, but none strange—I see no changes. I may be somewhat blinded—biased, perhaps—but I can truly say that so far as the spirit is concerned, I can draw no distinction between the brightness of the morning sun of life, the pleasant glow of the mid-afternoon of summer, or the golden glory of the autumn sunset that I here see reflected in your faces.

One thought I commend to you at the beginning of this important convention. The ramifications of this organization have a point of contact with all the factors that touch the economies of the lives of all the people. This convention is an assembly of the best credit thought of the country and the manner of its crystallization and propagation make for commercial peace as against commercial disturbances. This differs from all previous conventions in that there is but one all-absorbing thought before credit men—indeed, anybody else. All addresses here delivered, all committee reports, all trade conferences, or what-not, are but sounding brass and tinkling cymbal unless they help us turn our minds toward the great ultimatum. All logic, all eloquence are as but the rustle of the wind unless pitched in one key—and that is the note of battle. All thought, all intelligence, all industry, all resources, all courage, all self-denial, all force, all life—must be mobilized for one supreme cause—all laid on the altar of humanity! Therefore, this convention will be helpful or valueless, depending upon the extent those attending it can apply its lessons to the shaping of their customary vocations and the influences of their daily lives toward immediately placing the United States more completely on an effective and, of course, a *winning* war basis. God help us to do our part! I thank you. (Applause.)

Music by band with singing by Jacky Mix, which is heartily encored, after which the entire band is given an enthusiastic round of applause and cheers.

PRESIDENT WHITLOCK—The next on the program is the report of your president.

### President's Annual Report

*To My Fellow Officers and Members of the National Association  
of Credit Men:*

GENTLEMEN:

But a few months had elapsed after our entrance into the war with the German Empire when the Kansas City convention reposed in me the great honor and obligations of the President's office. My administration, therefore, has been from the beginning till now under war conditions, when everything in the nation was changed from its usual current, new precedents had to be established and new conditions met.

From the very beginning your organization has steadfastly supported the government, believing firmly in the righteousness of its cause and that we had undertaken nothing less than to defend the free peoples of the earth from a brutal and autocratic power. Wherever the opportunity offered for the expression of this patriotic devotion the response of the National Association of Credit Men was heard with no uncertain sound and even now, as this tragedy continues, while we are fighting by the side of our Allies for the defense of human liberties and individual happiness, this spirit will continue and we shall crave merely the opportunity of doing our very best, no matter how serious and how extensive the call may be. The holding back of the tear is almost impossible when recognizing what will be the cost of victory, of the dear lads who have gone out with a song upon their lips willing to make the supreme sacrifice, of the places that will always be vacant, of the hearts of the loved ones that will be torn with the agony of the separation, but through it all comes the supreme vision with the great joy of having placed upon the altar of sacrifice our influence and our resources without stint and when victory comes, as victory must, with the defense of every right for which we are contending, then all may say, even through the tears, that it is worth the price.

Your organization has considered its best point of defense to be the credit system. To maintain a large army in the field with the proper equipments, munitions and food would call for the largest war budget in our national history and eventually, perhaps, in the history of the world, and this could not be accomplished but with a flexible, adequate and inviolate credit system. To keep the poisonous germs from commercial credits calls for right practices from every one in their individual and commercial lives, to point out the dangers, to remedy the evils and stand squarely under the needs of this period for an adequate credit system, has been our vision and our ordained task.

Probably no organization of men, socially or commercially, has interpreted so broadly and effectively the real significance and meaning of cooperation as has your organization, until now that word has become a slogan representing the altruistic attitude which every citizen of the nation should take in his social and commercial obligations.

Responding to its own doctrines, the National Association of Credit Men very early during our administration tendered its services to various departments in Washington, which were received warmly and cordially. Recognizing the need of controlling and eliminating waste in office and business administration, there was organized a special Committee on Commercial Economy that has tendered its cooperation to the Commercial Economy Board and the Council of National Defense, and from it there issued pronouncements impressing upon business and credit men in the strongest fashion the need of cutting out the useless, the duplications and the dispensable in office and business administration. We will not emphasize specifically the subjects that were treated in the public pronouncements of this committee as they were given wide publicity and have performed a good service in the decrease of avoidable waste.

Representatives were selected by many of the local associations at the invitation of the National office, who were to cooperate with the State Food Administrators. This step was taken after interesting conferences, in Washington with the officials of the United States Food Administration, when we indicated our willing-



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Director

ness to assist even in departments where we had but an indirect touch.

A Special Committee on Credit Defense was organized for the purpose of observing new currents in the credit field and counselling the government about matters which were of direct

importance to our credit powers. The voice of this committee sounded throughout the nation and pointed out some of the devious ways that must be avoided if the integrity of credits was to be kept inviolate. This committee will feel the liberty of communicating to the Treasury Department its findings and conclusions on matters related to commercial credits and wherein it feels that the Treasury Department, the Secretary of the Treasury and his staff will be gratified to know what is occurring in this field of commercial business.

Realizing that the large sums necessary to the government's support, derived in the form of war taxes, would create new situations in credit affairs, and believing that herein was another opportunity for cooperation, there was organized an Advisory Committee on War Taxes, which has set for itself the task of studying this intricate question, looking toward future years, and offering its advice and conclusions to the Internal Revenue Department and to Congress.

In other departments of the government has the National Association of Credit Men, through the office of the Secretary-Treasurer, extended its cooperation and assistance, and yet with it all there has been a keen desire to do even more, and have the President of the United States and his associates in official life recognize our devotion, our willingness and our abilities to serve.

Within the customary work and activities of the organization there has been a marked success. Naturally, your president feels very grateful. The report of the Committee on Membership will show a net increase for the year that makes it a banner achievement and places the Association at a total that to the parents of the organization seems almost inconceivable. With a membership exceeding 24,000, mere reflection shows what influences and powers for right commercial living and righteous credit practices may be erected. The thanks of the entire organization are due this committee and its skilful chairman for this splendid report.

In finance, despite the increased cost of labor and material and the contributions to special objects larger than have been undertaken in any year of the Association's history, there has been built up a net surplus which gives to the Association a financial strength which your president and his predecessors have consistently felt should be enjoyed.

In the bankruptcy field there has been a careful study devoted by your committee; in the interchange of credit information and the defense of proper principles for the governance of this interchange; in the adjustment bureau department; in legislation and in other departments that we need not specifically mention there has been a devotion and earnestness which have made it a distinctive year and one that should rank high in our gratitude and recognition.

The local associations displayed throughout the year a deep and human interest in credit work and problems, and have been loyal indeed to the National Association. We cordially welcome the associations that have been organized through the year. May their members feel the impulse of our energetic activity for the defense of the credit system.

It was our privilege during the year to visit with a number of the local associations, frequently in response to invitations. On every occasion there was sincere hospitality and interest shown that made the visits especially enjoyable and reflected a strong enthusiasm for the administrators of the national work.

What has happened in the National office under the direct supervision of the Secretary-Treasurer will be pointed out in his report to this convention. So far as my own observation goes there was an increased demand on the National office for service, advice and cooperation. This increasing demand required increased facilities, and it appears to your president that the work of the office has been conducted with conscientiousness, skill and attention and that the morale of the office is in accord with the ideals of the association, and such as we would have control every individual credit department.

Many of your president's visits were made in the company of the Secretary-Treasurer. There has been throughout the year a sincere congeniality between the two officers, and we wish to express our appreciation for the sincere and complete responses to all calls made of the National office, the very friendly touch of the Secretary-Treasurer, and we commend to the National Association of Credit Men the preservation of the National office at the highest standard, the granting to it cheerfully of every facility for the extension of its services and the natural development of its obligations.

The state conferences held during the year—twenty in number—were especially instructive and inspiring. This idea has supplied a missing link in the Association's activities and will continue as a permanent feature in the future programs of the National Association. We recommend the possibilities of the state conference idea and the very complete manner in which these conferences have been conducted.

The board of directors of the National Association has been exceedingly diligent during the year, and its members have responded to every call made upon them by your president and by the National office. They have watched carefully the interests of their respective districts, and from merely an honorary body there has grown a real concentrated body of officers and directors who are putting the interests of the National Association first and are willing to do the very best for its success and progress.

In conclusion, we wish to thank the chairman of every one of the committees, from the greatest to the least, who has contributed to the splendid history of this year and helped to place the National Association of Credit Men at a higher point of service to the credit grantor and to the nation at large.

Respectfully submitted,

S. J. WHITLOCK,  
President.

We will now have the report of our secretary-treasurer, Mr. Tregoe. (Applause.)

MR. TREGOE—

*Mr. President, Governor, Ladies and Gentlemen:*

I can hardly trust myself this morning. I just could not embark upon the making of a long address—or even the reading of a long report. It has been for me a difficult morning because my boy wears that uniform and is around Gibraltar this morning. (Applause.)

Following the precedent which you permitted three years ago in Salt Lake City, the reports of the secretary and of the treasurer are printed in separate leaflets and will be distributed. I ask you please to read them and read them carefully because they present in a brief, yet I hope in a graphic fashion, what we have accomplished during the year.

This has been our most wonderful year. I cannot thank the members sufficiently for it; nor even thank our officers and directors for it. I am just Presbyterian enough to believe that it was fore-ordained by God that we should be the organization we are to help the nation at the present time and to assist in making Old Glory shine as the hope of the entire world. (Applause.) I cannot believe that the human element had anything to do with it, but we have been hard at work, we have been a servant of the nation, we have stimulated, we have inspired the credit men of the country to do their work in a more efficient and a more righteous manner.

I merely want to say that in membership the year has been remarkable. We added 2,594 and we present to you this morning an organization of 24,636. (Applause.) Despite the increased cost of materials and labor, despite the many new things that we undertook, we added to our surplus and we present to you this morning a total surplus of \$49,224.02. (Applause.) I hope you noticed the two cents that you may not question my accuracy. You see, I have been watching around and while some of these committee chairmen and directors back here have questioned and have rather criticised what they called my "leanness," yet I wanted to see that balance grow that we might possess the proper financial strength.

It has, indeed, been a wonderful year and I think every one of us is entitled to feel gratified. We have had a splendid president. (Applause.) The simplicity of the man! I can vouch for him in every sense or element that enters into a man because I slept with him a great many nights. (Laughter.) I never had to wait for the ringing of the curfew; he was always there for me to tuck him away (Laughter), which is one of the prerogatives I enjoy, and see him open his eyes in the morning ready for the tasks of the day.

These directors back here—some of them good looking and some not (Laughter)—they have been faithful in their duties. They have done their duty well. Oh, men and women, we have a great deal to be thankful for, a great deal! But we must do more. Let us with the gritting of our teeth and the impulse of every motive and power in us, fixing our eyes to the east, raising our eyes above, resolve that we men and women of America have set upon the greatest task in our history and by the great God above we are going to win this war! (Applause.)

### Secretarial Report

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

I have never found it so difficult to present to a convention in a brief and lucid way the major occurrences of an association year as I find it this year in offering report to this convention. The power is craved to paint a word-picture that will be grasped by the convention in all its significance for as the world is passing through its greatest tragedy with a combination of events and circumstances without precedent and parallel, so the year under review is overrunning with unusual events, and our best powers, intelligence and complete adaptability have been taxed to appreciate and meet them adequately.

From the organization there has emanated a continuing and consistent appeal to the credit fraternity for patriotism and we have considered it a chief responsibility to arouse within our men an appreciation of the world's greatest tragedy and of the fact that our nation had made its greatest decision.

There is not the least bit of disappointment so far as your secretary has been able to discover in the reaction of credit men to these appeals. They have spoken and acted like true patriots. They have appraised the financial and commercial problems at the proper figure; they have understood that sound credits were the nation's chief weapon for the winning of the war and that they could fulfil no greater obligation nor do the country a greater service than to defend its credit system and keep it free from injurious and dangerous elements.

Probably, should we cease to report right at this point, we would have said enough and considered that the National Association of Credit Men had justified its existence during this period. We shall not take time to detail the various forms of cooperation that have been generously and happily given by the organization to various departments of the nation. Much of it has been spoken of in the report of the president to this convention, but wherever it was believed by your officers and directors that something might be done that would offer encouragement—develop war-winning facilities and correct weaknesses, action was quickly taken and service became the order of our daily living. This attitude will be continued with your favor and approval, for as the struggle continues we will deem it an opportunity to respond whenever needs are discovered, emergencies occur or the slightest lift can be given to the government in its great task.

Altogether this has been our historic year and we should join in expressions of thanksgiving that the nation possessed an organization with such high ideals, with such facilities and spirit for service that always subordinates itself to the public good.

Within the organization itself we would dwell for a moment on the state conference idea. After two experimental years, state conferences were held in twenty association cities, covering about thirty-

two states, and they never failed to be interesting and productive of sincere fellowship and sound instruction. Not one failure in the entire list can be recorded and other than the fellowship and instruction for which the conferences are primarily intended, there must be reckoned also the process of coordination among the local associations which they are unquestionably encouraging. We would recommend most earnestly arrangements for the coming year that will give to our members in all of the states the privilege and opportunities of similar conferences.

Space will not permit your secretary to tell all that he would like about the devotion, character of work and real achievements of the various standing and special committees. The plan of organizing and operating the committees adopted this year, that is, dividing the country into ten districts and assigning to each committee a chairman and nine vice-chairmen selected from these districts has accomplished most satisfactorily what the plan had intended, and we can honestly say that the committees generally have displayed more interest and covered the various fields more thoroughly and successfully than in any year within the observation of your secretary. This testimony does not remove the necessity of development. What was accomplished this year should be regarded merely as an earnest and used as an incentive for even better things during the coming year.

Naturally, when reviewing the committees' activities even in a brief fashion we must revert to the splendid achievements of the Committee on Membership. We must register an advance in the Credit Interchange and Adjustment Bureaus, a large majority of them now conforming with the general rules recommended by the officers and directors of the National Association acting under the powers granted at the Kansas City convention, and when our membership as a whole recognizes the economy and protection of these departments, they will have been placed on a proper basis and granted the support which their powers deserve.

In the fields of mercantile agency service, credit cooperation, credit department methods, legislation, business meetings, business literature, commercial ethics, fire insurance, foreign credits and the amendment of exemption laws, there have been interesting and forward moving activities, and sincere thanks should be rendered the chairmen and vice-chairmen of these committees, for in their various fields they have devoted careful and well-directed efforts.

Our department of credit hygiene—a descriptive term which, I believe, very happily fits the department conducted under the supervision of the Investigation and Prosecution Department, rendered a notable service during the year, and words fail your secretary to speak his full appreciation of the thorough, diligent and intelligent manner in which this department aided by its investigator, C. D. West, has burrowed into fraudulent cases, located and prosecuted the offenders. Indisputably this is one of the most important departments now operated by the National Association of Credit men. It will pay such large dividends to commercial credit grantors that we urge upon local associations and individual members of the National Association that they support it enthusiastically and never through any dearth of cooperation or contributions allow the slight-

est diminution of its activities and powers to detect and pursue the commercially fraudulent.

In the Bankruptcy Law Department there have been interesting incidents, especially the conference of February 13 in Chicago, and we commend to members of the Association a careful reading of the report of this committee as an exposition of what the law has accomplished, may accomplish, and the obligations of creditors



J. H. TREGOE  
Secretary-Treasurer  
New York, N. Y.

and administrators for its economic and expeditious application. Great progress has been recorded in the evolution of commercial education, and no report is of greater moment at the present time nor deserves more careful reading than that which will be offered by the Committee on Credit Education and Management. Your secretary is thoroughly convinced that the broadening of educational facilities and the systematic promotion of credit and commer-

cial education deserves the cordial and unstinted support of the Association, and he will welcome an educational director to his personal staff as a promise of an increasing service to the commercial public.

There has been observed with deep gratification a strong tendency to coordination throughout the entire organization. No one can forecast what its powers are going to be for commercial progress and the uplifting of credit standards when this process is complete and the great body of credit men throughout the nation is working as a unit.

Greater service than ever has been asked of the National office during the past year and requests were constantly met with a sincere desire to respond adequately and assure members that the National office considers no privilege higher than serving the membership in helping to meet and solve the new and various problems with which credit departments have to contend.

Your secretary believes firmly in this type of official work and would urge upon this convention an appreciation of its possibilities and an endorsement that will encourage the incoming officers and directors to supply the facilities and consider as one of their principal obligations the supplying and conserving of every facility that may be needed to meet the increasing demands and make the National office the last word in credit information.

Inadequate office space required an expansion on May 1. This arrangement will enable us to do the work of the coming year in a more comfortable way.

Three members of the secretary's staff have entered the nation's service since his former report. Justin Henderson, assistant secretary in charge of the Investigation and Prosecution Department, enlisted in the Aviation Corps and qualified as a second lieutenant during February. C. L. Williamson, secretary of the Lexington Association of Credit Men and manager of its Credit Interchange and Adjustment Bureaus, consented to substitute for Mr. Henderson for a period of one year, and is covering the department with credit to himself and great satisfaction to your secretary. We feel this public expression of our appreciation should be given to Mr. Williamson for his loyalty and aid in an emergency.

E. B. Moran, in charge of the field work, was called to the colors and left for training at Fort Dodge, Iowa, during May. Mr. Moran possesses a peculiar skill for organization and membership work, and was able to accomplish much of a constructive character before his call came. It is now a grave problem to your secretary how to fill satisfactorily the vacancy made by his going.

Benjamin B. Tregoe enlisted in the Naval Reserve before the Kansas City convention, but did not go into training until September 1. Since November 1 he has been serving on the converted yacht Cythera, doing convoy work near Gibraltar. We have missed his mechanical skill, his supervising of the Foreign Credit Department, and no one has yet been named specifically for the vacancy. Would that power permitted us to express our great pride in these three lads, the joy we have experienced because they were our

representatives in the fighting forces of the nation, and we cannot trust ourselves to say further than God bless and preserve them in times of danger and return them to us safe when the war clouds have been brushed aside.

We recognize a peculiar pleasure when speaking of the faithful, considerate and intelligent way in which the officers and directors of the National Association have accepted their tasks, responded to all calls from the National office, followed closely the activities of the year and have appeared to recognize that in accepting an official position in the National Association there were obligations attached which they should not neglect and possibilities for service which they should always use for the broadening and strengthening of the organization. Were I to say all that is in my heart and mind about the president, Mr. Whitlock, I might be charged with sentimentalism, but the Association is to be congratulated upon having a man of his staunch character, simplicity of ideas and conscientious skill as its administrative head, and we have enjoyed every moment of the time permitted us to work in his company and to receive and follow his instructions.

We must thank most cordially, besides the president, the other officers and directors of the National Association for their consideration and cooperation throughout the entire year.

The Bulletin and the printed matter generally of the Association have appeared to hold a higher place in the regard and esteem of the membership, and we would point out with gratification and appreciation the consistent desire to serve that has controlled the assistant secretary, William Walker Orr, in his supervision and direction of our Publicity Department.

We should like to mention the name of each member of the office staff, because from the least to the greatest there has been a fine spirit shown and it will be a pleasure for this convention to know that in the Third Liberty Loan and the second Red Cross drive this staff was 100 per cent. efficient.

We have much to express appreciation for that cannot be specifically pointed out in this report. It has been our desire in presenting in this formal way what we hope will show, in the informality of composition, a fairly graphic picture of what has happened in the National office during the year of our review; and with the encouragement it gives, the inspiration to even bigger efforts, there is a confidence that our organization was designed for service, as an agency of great value to the nation and its commerce, and in the working out of its destiny much will depend upon the stability and progress of its various units. We would close this report with an expression of sincere thanks to the officers of local associations, the chairmen of local committees, and every individual throughout the entire organization who has contributed to the progress of the year through his activities and encouragement.

Respectfully submitted,

J. H. TREGOE,  
Secretary-Treasurer

## Treasurer's Report

*To the Officers and Members of the National Association of Credit Men:*

## GENTLEMEN:

Your treasurer is gratified to be able to present to this convention the following report of the Association's receipts and expenditures:

## RECEIPTS

Per capita dues from local associations.....	\$72,019.79
Individual membership dues.....	9,265.67
Sale of Association's standard forms.....	\$8,172.41
Deduct cost of printing .....	6,344.30
Net profit from sale of blanks .....	1,828.11
Sales of Diary, 1918 .....	10,375.90
Cost of producing .....	5,968.62
Diary, net profit .....	4,407.28
Interest on deposit and Liberty Loan Bonds.....	787.42
Miscellaneous sources .....	63.96
Total receipts .....	\$88,372.23

## DISBURSEMENTS

Salaries of secretary and assistant secretaries.....	\$20,116.67
Salaries of employees .....	8,828.58
Salaries of field workers .....	2,450.00
Traveling expenses of field workers .....	1,181.48
Traveling expenses of officers .....	2,205.09
Expenses of directors' meetings and traveling.....	3,061.18
Expenses incident to the work of the various committee .....	2,410.07
Office rental .....	2,550.00
Stationery and office supplies .....	1,741.58
Net cost of printed matter, including First of the Month Letter .....	2,022.83
Cost of the Bulletin .....	\$16,164.35
Deduct receipts from subscribers and advertising.....	3,794.88
Net cost of the Bulletin .....	12,369.47
Legal fees .....	1,130.50
Organization expenses .....	975.32
War emergency expenses .....	1,583.62
General postage .....	1,665.78
General expense of the office, including fixtures and machinery .....	2,904.45
Convention expenses, 1917 and portion of 1918.....	2,669.78
Total disbursements .....	\$69,866.40
Total surplus for the year .....	\$18,505.83
Deduct special contributions:	
Investigation and prosecution .....	\$2,500.00
Central Interchange Bureau .....	3,000.00
Membership directories .....	2,070.73
Ambulance, memorial to Mr. James G. Cannon.....	1,668.00
Trade acceptance council .....	1,000.00
	\$10,238.73
Net surplus for the year .....	10,238.73
Total surplus June 1, 1917 .....	8,267.10
	40,956.92
Total surplus June 1, 1918 .....	\$49,224.02

Considering the increased cost of labor, materials and printing, that your treasurer is permitted to offer the best financial report in the Association's history is indeed gratifying; to have been able to do so he is sincerely thankful.

When assuming the office on January 1, 1912, it was his deep belief that an association having so great a membership distributed all over the country should be prepared for any emergency that might arise, and be able to act quickly without fear of the abilities of the Association to finance its undertakings successfully, all of which could be reasonably assured with a permanent surplus of at least \$50,000.

He set himself zealously to the reaching of this mark, and the conventions of intermediate years have observed the increase of the surplus annually until at present we are almost at the goal.

The growth of the Association's financial abilities has been coincident with the growth of its obligations, and what may be accomplished in the future will rest largely upon the working out of certain facilities that are necessary to meet the increasing demands for service, and your treasurer earnestly hopes that when these demands are offered to this and succeeding conventions there may be an immediate grasp of their need and their significance, and that they will be granted without the least reluctance.

These features will be dwelt upon more specifically in the report of the secretary to this convention, but with our finances in a superior condition and a spirit of loyalty to the national work of even greater encouragement, there need be no hesitation with the organization as a whole or its officers and directors to grant with confidence the facilities needed, and so place the Association in a position to render the maximum of service to the commercial credit grantors and the nation as a whole.

The supreme legend of the Association must be "Service"; that idea must inspire every department of the national work, and it is but right to say that your treasurer and his staff recognize this obligation, are more than willing to respond, and dedicate their very best to the upbuilding of those credit standards and the defense of our commercial system, which the organization has looked upon as its special task to perform.

In closing this brief report of the Association's finances, sincere thanks must be registered to those who have contributed to the splendid results of the year, and this would embrace too large a number for individual mention.

Respectfully submitted,

J. H. TREGOE,

*Secretary-Treasurer.*

**PRESIDENT WHITLOCK**—Illinois is a great commonwealth in the fullest sense of the term. In respect to the worth of its industries, the wide extent of its fertile fields and the millions of contented and industrious inhabitants, its contribution to the great cause in which we have all our destinies has been in proportion to its wealth and power. The administration of the affairs of a state like Illinois, in times like these, requires not merely great executive abil-

ity and a masterful control of its many various and highly organized departments, but the highest devotion and fidelity to the sterner demands of patriotism.

In the long line of illustrious governors of which Illinois boasts, none has ever combined in himself in a greater degree than Governor Lowden the qualities required by these extraordinary times. (Applause.) It is, therefore, with a feeling of great pride and pleasure that I present the illustrious war governor of Illinois, Frank O. Lowden. (Hearty applause long continued.)

### Address of Governor Frank O. Lowden of Illinois

*Mr. President, Officers and Members of the National Association of Credit Men:*

There is a deeper significance in this convention than the casual observer would discover. Credit, in the civilization which we have been painfully evolving, is the very atmosphere of business life and commercial progress. Credit is really the soul of business. If credit were to collapse for a single day panic would circle the globe. This Association, therefore, has to deal with what I might call the spiritual side of business. It is its function to make the character of the individual match the gold of some one else.

You know that in ascertaining the credit to which a man is entitled in the commercial world it is not *simply* the material things nor is it *principally* the material things you take into account. Of course his bank balance, of course his goods and chattels are an element, but I think I am not wrong in saying that after all the principal thing you aim to discover is the essential character of the man who asks for credit. (Applause.)

When you find the man who discharges all the obligations of a Christian, when you find a man that is just to his neighbor, when you find a man who is devoted to his home, who is good to his wife and his children, when you find a man generously endowed with the simple, old-fashioned virtues, you have gone a long way to rating that man (I may not get the phrase right) A-I. (Applause.)

And now the greatest military power the world has ever seen is waging a war on the proposition that the Christian virtues have been superseded by modern science, that the only law of the universe as between nations or between men is the law of force; they are waging a war to destroy the very virtues which American business and the business of the civilized world have come to emphasize more and more in the commerce of the world. (Applause), because it the Central Empires win in this war of what avail are these virtues which I recounted a moment ago?

Because, under the philosophy which the arms of the Central Empire seeks to force upon all the world, unless the individual has the strength to secure something from another, unless the nation by force alone can overawe its neighbor, unless, in other words, the law of the jungle comes back to earth, none of these virtues will survive.

It is not simply war for democracy, as we sometimes say; it is a war for democracy, but it is also a war for decency, for civilization, for religion, for fortifying all the old, simple virtues which

we inherited from our fathers and mothers. It is a war to determine whether the gentler and more spiritual forces of the universe shall dominate the future or whether this old earth shall come absolutely under the iron heel of the ruthless and cruel military despotism, a rule of force and force alone. (Applause.)

When the war commenced our people naturally did not fully understand its import. No one in this twentieth century of the



Wm. WALKER ORR  
Assistant Secretary and Publicity Manager  
New York, N. Y.

Christian era could believe that a great people and a great nation would blot out all the progress of the centuries and resort to the antics and the principles of government of the primeval forest, and therefore, when the German professors told the world that a nation was not bound by treaties unless it was to that nation's advantage to observe them, that there was nothing above a nation, no law that governed it, we did not heed them, for we could not believe—

and particularly those of us who live in America, who had been trained under our institutions of freedom—we could not believe that such talk was anything more than the mere idle, fanatic mouth-ing of a few professors. In our own land we had heard university professors announce impossible things which no one heeded, because we knew that they did not represent the thought and the conscience of America and thus we looked upon these old teachings of Treitschke, if you please, and his confrères. It was only when the German chancellor himself declared a treaty to be but a scrap of paper and hurried his armies across the Belgian frontier, it was only then that we knew that these professors for a half century had been speaking not for themselves alone but for a cruel and conscienceless military autocracy that was preparing a conquest of the world and a little later we read the mad poet-philosopher, Nietzsche—we heard him declare that the so-called Christian virtues were but an invention of the weak to protect themselves against the strong and that the biological law of the survival of the fittest alone controlled the destinies of nations and men.

But we heeded not. We had felt in our own home by our own fireside the beauty and truth of all these old Christian virtues. We knew in our heart of hearts that they were the truest things, the most real things in all the world, and we listened not to what Nietzsche said. It was only when we followed the German armies into Belgium and saw their ruthless, brutal treatment not only of the combatants but of the women and the little children and the helpless, that we knew that Nietzsche, too, who died many years ago, was not speaking for himself alone when he announced his monstrous doctrine—but was speaking for that cruel, military autocracy that had started out to impose its rule of blood and iron upon all the world.

And so, my friends, the doctrine of frightfulness was not simply the idle statement of a university professor; it was written into their military textbooks and to frighten a nation and to discourage a world was a part of their military strategy. And oh, if it shows one thing more truly than another, it is this: That the moment a nation loses its soul, the moment a great people contents itself with resting upon a pure material basis, that moment the clarity of judgment, the wisdom which only come through spiritual forces and influences has disappeared. Frighten the world! If there is one thing that makes it inevitable that the world will fight if it takes ten years or a hundred until it has crushed out that cruel despotism, it is the frightfulness with which they have threatened us; instead of deterring a single man or women or child anywhere, it has simply nerved the arm and refreshed the courage in the heart and made more dauntless the soldiers of civilization who will fight, fight until the doctrine of frightfulness and its cruel authors are crushed forever! (Applause, cheers.) And the world again is made a decent place for men and women and children to live in!

My friends, it is not strange, it is not at all strange that when our war first broke out many of our people did not understand its significance. It seemed to them that the war was three thousand miles away when, as a matter of fact, from the moment that our

diplomatic relations were sundered with the German Empire the European war was nearer to our hearts and our hearthstones than any war in all our past! But little over a half-century ago we had the war between the states—up to that time the most tremendous-armed conflict of the century, and yet, my friends, mighty as were the issues involved in that war, tremendous as was its significance, they were nothing compared to the issues in this, because which ever way that war had gone, whether for the north or the south, in each section there would have been some country left, some country which those who inhabited it might still call their home. It is true that if the war had gone against us, we in the north would have had a fragmentary and incomplete country, it would have fallen far short of the destiny for which our fathers planned, but there would have been some place which we could have called our home, some place above which would have floated the American flag, some country would have remained to us, but if in this conflict which grips the world to-day, the war should go against us, there will be no fragment of the country left for any liberty-loving people anywhere, there will be no room in all the sky for the American flag but those cruel eagles of Prussia will fill all the skies above this New World equally with the Old World.

For in this battle for the first time in history all of the forces on either side are engaged, it is simply the last and final clash of arms between the two principles which have been in war since the dawn of time—the principles of right, of decency, of holiness on the one side, the triumph of spiritual forces which uplift the soul of man; and that other and degrading doctrine that men are not capable of governing themselves, that they must be the slaves of some armed despot somewhere, that they are not capable of being captains of their own soul.

That clash is as old as the war. That was fought by our forefathers at Lexington, at Valley Forge. It has raged in France, in unhappy Poland, in Hungary. It has blazed out here and there around the world in the centuries that have come and gone; for the first time in all the history of mankind it encircles all the globe, and the destiny of every man and woman and child who dwells upon this earth is involved in the issue of this mighty strife.

When this war is over—make no mistake, when this war is over mankind everywhere will have the divine right to stand erect in the image of its maker or it will be crushed under the iron heel of Prussian autocracy everywhere! (Applause.)

And then some of our people thought that we ought not to send our soldiers across the sea, that we ought to fight but that we ought to fight at home. I recall that we once in Illinois had a great military captain, a man who at the opening of the Civil War was an obscure dweller out on the banks of the Mississippi, but who in four brief years marched to the heights of immortal fame and there held aloft the American flag redeemed, and that man was Ulysses S. Grant. (Applause.)

Grant wrote his "Memoirs" and in it discussed the subject of "Grant's Strategy" and said, "It is simple. All you have to do is to find where your enemy is, go there and strike him and strike him

hard." And if we were to heed the teachings of General Grant, our duty was plain—not to wait somewhere where the enemy is not, but to find him out and to go there and to strike him and strike him hard. (Applause.)

There was not a child in any school in America who could not put its finger upon the point on the map where the enemy was and thank God our country followed the teachings of General Grant and we are going where our enemy is and I want to tell you that within the last few weeks our enemy knows we are there! (Applause and cheers.) We are going in increasing numbers, my friends, and we are going to follow Grant again and we will strike our enemy again and again until we have destroyed the forces of evil which confront us on the western battle-front. (Applause.)

I want to say one word while I am upon this point, one word to the mothers who (some of them) feared to have their boys so far away from home and in another civilization of which they knew nothing. I want to tell the mothers of America that they need have no fear for the conduct and the manliness of their boys whether in France or England or on this side the sea. (Applause.) Yesterday some one put into my hand the paper called "The Stars and Stripes," a publication which is gotten out by our Expeditionary Force in France, a wonderful exhibition of American enterprise and a wonderfully inspiring sheet it is, and there I noticed as one of the principal items of interest in that issue that the different companies and groups small and large of our Armies there are raising a little fund among themselves and adopting some orphan child of France. (Applause.) They are permitted to be responsible for the education and the upkeep of that child whose father has died in the defense of the liberties of the world, and as I read that account and as I saw how these little children were among the first to greet our soldiers as they landed and how our soldiers were making response, I said to myself, "The mothers of America need have no fear for the conduct of their boys on the other side when their chief interest and chief recreation is adopting and maintaining these little orphan children of the heroes of the French Army." (Applause.)

Now just a word more, and I am done, and it is in line with the very excellent address of your president. It is this: A new spirit is coming out of the war—it is not all loss. Dark as are the skies, somber as are the times, there is a sun shining somewhere beyond. You know things were not going very well with us, my friends, before the war arose. We had too much of material success. We ourselves were becoming fond of the material side of life. We were becoming greatly addicted to the flesh pots, we were becoming selfish, we were dividing into classes when in America there is no room beneath our flag for classes. (Applause.)

We had forgotten the Master's definition of our neighbor. It is true, is it not, that now this war has come and now that the men and women and children of America are making the great sacrifices that our country may endure, that we see new light shining out of the eyes of the men and the women and the little boys and the little girls everywhere. When the war is over we shall have a better

country, we shall have a better people than we have had in all our past. We shall be chastened in the fires and flames of this, the greatest war the world has ever seen. We shall not have as many young men when the war is over as we would have otherwise had. Some of them will fill foreign graves, but we will have a finer lot of young men than any nation ever saw in all its existence. (Applause.)

One other thing—you know that sometimes we get depressed with the news from overseas. A few weeks ago when it looked as though the German armies might separate the forces of England and France I think was the hour of deepest gloom I have ever experienced in all my life. Dark hours since have come, they still will come, but if we shall only realize what this war means we shall keep our will and courage to the end, even if this new threatened drive shall pierce to Paris and that unrivaled city shall become the spoil of the German Huns—even then, my friends, we shall go on! (Applause.)

And even if the danger which threatened a few weeks since of separating the armies of France from the armies of England should win, and even though our foe should drive the English army into the Channel and destroy that peerless army of heroic France, even then the spirit of France and Great Britain and Italy and the United States will remain and as long as the spirit lives there will be no conquest and we shall still go on! (Applause.)

And even if after all that, which we cannot believe but which we must prepare ourselves for as a possible eventuality, if some day the German fleet should sail forth and destroy the English fleet and the besieging line, America will still go on because in the veins of America and American boys flows the blood that won the Revolutionary War against the greatest power of all the world, which is now our ally and fighting\* side by side with us.

Better, infinitely better, that our history should end to-day with its hundred and forty glorious years in which we have maintained ourselves as men, in which we have given to the world, to the plain people of the world, a larger measure of happiness than any other nation had ever given in all the history of time—better, infinitely better, that this hundred and forty years of glorious history should end now, better that this fair land of ours should go back to the flowering prairie and the primeval forest from which our forefathers wrested it, better, infinitely better, that it should be subject only to the birds of the air and the beasts of the field than that the infamous Hun should set his cruel feet upon any part of it! (Applause and cheers.)

And so we are to win. We shall win because we have the will to win and because we know how infinitely better off are the American soldiers who sleep in foreign graves than those of us who remain if we shall not win this war. (Applause.)

I recall that in the most crucial hour of the first drive toward Paris General Foch commanded the center of Marshal Joffre's army. It looked, you recall, as though nothing could stop the Germans from sweeping on to Paris, but finally the order was given to turn upon the foe and in that dramatic moment General Foch sent this report in response to General Joffre's request: "My right

has been rolled up, my left has been pushed back, my center is smashed, I have ordered an advance all along the line." (Applause and cheers.)

And that advance was made and civilization was saved. I do not know when another similar report will be made but I do know that whether it is this year or next year or five years or ten years hence, another report will be made of an advance all along the lines which will result in complete triumph for the cause of civilization and of America and of the world. I thank you. (Long-continued applause and cheers.)

(The band here played "America.")

G. J. CLAUTICE, Baltimore—Governor Lowden's words have surely thrilled us deeply and bring to my mind a little piece I wrote a short time ago and called "The Patriot's Prayer." With your indulgence I will give it to you:

"America, of Thee I tell my prayer! Born of oppression, founded on freedom, sustained by justice, I believe in your ideal of equal rights to all with all my mind and heart, with all my strength. I love that flag, the emblem of my land, ne'er borne in any war but for the rights of man and ne'er lowered to any conquering foe.

"May I by every word and act uphold the honor of my land, and if the test should come, make the sacrifice!

"But better still, in times of peace and weal, I'll do my best to act what I believe, and help my neighbor see and be and do what's right and just as by Thee we are taught.

"So, help me, God, to be what I believe for this, my own, my own dear native land." (Applause.)

SECRETARY TREGOE—I have received a letter from Harry A. Wheeler, one of Chicago's distinguished citizens and the president of the Chamber of Commerce of the United States of America. Mr. Wheeler was to have spoken to us briefly this morning, but the business of the nation took him to Washington and he sends his sincere regrets that he could not have been with us. We missed another treat this morning by not having him, but our loss is the country's gain and we shall have to be satisfied that he is there and we are here.

Now, Mr. President, before we leave this morning, may I crave the indulgence of this audience of presenting to it not for an address but that we might greet, the only honorary member of the National Association of Credit Men who is on the stage—the Honorable Edward James Cattell. (Long continued applause and cheers.) He is going to make his address Wednesday morning. He is the ladies' idol.

MR. CATTELL—I shall not stand here and have a handsome man who is married queer the chances of an old bachelor with hopes. I'm going to say just two words. I am delighted to be here before this splendid body of men because they are so different from the type suggested by the remark the other day when the little boy said to his mother, "Mother, where does the light go when it goes out?"

She said, "Why, that's foolish to ask. You might just as well ask me where your father goes when he goes out." (Laughter.)

I want to say this to the ladies: I have in my office at the City Hall a sign which reads, "If a pretty girl passes and I don't notice her, send for the coroner,—I'm dead!" (Laughter.)

And I'm going to add just this, that the spirit of the war as I see it was represented by that dear little fellow the other day. Five of them were standing in a trench four feet deep in water. The sergeant came along and said, "Is McQuinn in the trench?" and the little fellow answered, "No, he went ashore an hour ago." (Laughter.)

And the other side of it,—I went to see a dear old friend, the dearest one I have, a man 92 years of age, lying in a hospital in Philadelphia suffering, just hovering between life and death and he said to me, "Ned, my boy, my grandson, the one I love best of all, has gone abroad and left me, left me alone in my hour of supreme trial" and then his face changed and he said, "But I'd have cut him out of my will if he hadn't gone! That was the spirit of 92!"

At Allentown two weeks ago, when I spoke to that great crowd of 40,000 at the camp, I went to the hospital and going through the wards at half past six in the morning, I stopped at the cot of a dear little child who had been through an operation, a little right leg was lifted by a pulley. I always go through the children's ward because they think I'm like Santa Claus, and they seem to love me. I had a piece of candy (I always have candy in my pocket) but he didn't take any notice of it. I looked at his poor, pinched white face and the little hands lying on the coverlet so thin you could almost see through them and as I was going on through with an ache at the heart because I loved that boy, because he was suffering, I saw a little hand move. I leaned over him, closer still and then that little white hand came up and began toying with a flag in my buttonhole and he took that little flag from my buttonhole.

From the cradle to the grave, my friends, out of suffering, standing on the edge of immensities and eternity, Old Glory spurs the soul to its highest pitch, and one with God is a majority. There is no question of what we are, there is no question of what the God who gives it sovereignty is going to do for the world through us! (Applause.)

SECRETARY TREGOE—Our program is over but we can't go until we hear that dear Jacky sing again, can we? (Long applause and cheers from audience standing.)

Jacky Mix sings "A Long, Long Trail." The band renders a selection.

BISHOP FALLOWS—And now may the God of peace bring a speedy and universal peace to our war-distracted world by giving to our united arms on land and sea the victory for the right and to Him be all the praise forever. Amen.

Adjournment.

## Afternoon Session, Tuesday, June 18, 1918

The convention was called to order by President Whitlock at 2:15 in the Banquet Room of the Hotel LaSalle.

**PRESIDENT WHITLOCK**—We will commence the program of this session with the report of the Committee on Investigation and Prosecution, Freas Brown Synder of Philadelphia, Chairman. (Applause.)

**MR. SNYDER**—The time limitations placed on the presentation of committee reports left to your Investigation and Prosecution Committee the choice of presenting a brief synopsis of its work to be read to this convention or a detailed record of the things you wish to know and the facts you are entitled to have about your investigation department which can only be briefly summarized. The latter course was chosen and there is accordingly placed in your hands in printed form the essential facts of that important phase of the National Association's activities. It is not a report to be hurriedly read here but rather to be taken home where, at your leisure (if the credit man has that priceless thing in these days) you may in the words of the prayer-book, "read, mark, learn and inwardly digest."

The greatest hope of your committee is that every member of this Association will consider the investigation department an adjunct of his own credit department, working for him and his protection like the mercantile agencies and the commercial attorney but with that closer, more intimate touch arising from mutual ownership and direction.

Despite the voluminous character of the report, it is a study in the incidents which could not be left out, for no more varied, interesting happenings come in any one day to any place in the commercial field in greater volume than to the investigation department unless it is to the office of the bank credit man. The work of the department is briefly summarized in a statistical record of the cases handled. The net result is that the department closed in its last year approximately the number of cases open at its beginning, so that the new year of June 1, 1918, is started with one more case open on its books than was presented to it during the year.

The financial report shows that the department paid its way and laid aside a little surplus against the expenses of the new year. It will need that and more. The figures of expenses must run higher this year because we have a greater work to do. It is necessary to recite only one case to serve as an example.

In running out a case referred by the Wichita Association in which St. Louis also is interested, Mr. West uncovered the devious trail of an Assyrian conspiracy so broad reaching in its ramifications, so shrewd in its leadership and so threatening to the commercial credit grantor that it promises to eclipse anything of the kind we have ever known. It has raised its ugly head not only in Kansas and Missouri and Oklahoma but in Georgia and New York and Montana and in how many places in between we can only guess. Our neighbor countries to the north and south are plagued with it, introducing the intricacies of extradition and smuggling and to the south involving activities against our own government itself.

If your investigation department does nothing more through this whole year than crush that ugly serpent, every penny which you have given to it will be doing double duty!

In a feeble way, limited by the facilities of expression, your committee has tried to record its appreciation which would and must be yours when you know the story as we do, of the loyalty, energy and efficiency of the many factors now concerned with this work.



FREAS BROWN SNYDER  
First National Bank, Philadelphia, Pa.  
Chairman of Investigation and Prosecution Committee

The Department of Justice, the Post Office Inspectors, the adjustment bureaus of many cooperating associations, particularly that of Baltimore; Lee & Tompkins, attorneys of Dothan, Ala.; the vice-chairman in the field and the law officers of the government everywhere, but particularly would we commend those three graces Messrs. West, erstwhile of St. Louis and now of everywhere, Shealey of Washington and Williamson of the National office, so like their counterparts, Faith, Hope and Charity. (Applause.)

Every member of this Association owes a personal, individual debt of gratitude to these men and when it is paid there will still be something coming to them. Your committee has found it necessary to pay its respects to the careless credit men whose slipshod, inefficient methods make possible one-half of the commercial fraud practiced in this country. It is almost enough to shake your faith in the efficacy of the educational activities of this Association to find a failure, reeking with fraud, three hundred creditors and not one with a financial statement or to find a man with a jail record going up and down the country making his living by failing every six months at such profit as indulgent credit men will grant to him.

Your committee has had its bed of roses but it acknowledges the pricks of the accompanying thorns. These pricks come not from those we pursue but from some of you whom we seek to serve. Some associations have given haltingly and grumbly, some have hedged and bargained and some (and I say it with regret and a sense of shame) have refused to cooperate on any one of the three alternative plans offered. One cannot but be reminded of the disorganized, independent Allies before the Paris conference, fighting a united Germany, for you must well know that those who conspire against you owe you no divided allegiance.

The close of the war and the shrinkage in values will bring the direct need for an organized force to combat commercial fraud. Those who lag now are slowing up machinery which later they must build under pressure and at forced cost. The many associations who know what the investigation department can do have given so freely, praised so unstintingly and cooperated so gracefully that your committee has seen a vision of the day when this work must commend itself to all of you, must be supported by a pro rata support and its managers must be left free of financial problems to concentrate on their fight for honest business conditions. I accordingly present to you the resolutions accompanying this report and move their adoption. (Applause.)

Whereupon the two resolutions which are a part of the regular report following were, on motions duly made and seconded, carried.

SECRETARY TREGOE—Now, Mr. President, the convention should act on the report as a whole with the resolutions.

C. H. BECKMAN, St. Louis—I have been in close touch with the investigation and prosecution work for several years. I know the work that Mr. Snyder's committee has done, and I believe that we ought to put all that he recommends through flying and in this we ought to thank Mr. Snyder for his efforts as chairman of this committee. I move that the report be adopted as a whole, with the resolution. (Seconded and carried.)

**Report of Investigation and Prosecution Committee**  
*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

The last report of this committee, made to the Kansas City convention, traced the development of the movement for organized prosecution work from its inception at St. Paul in 1913 down to

the creation of the Investigation and Prosecution Department in the National office. In January, 1918, the force was augmented by the employment as investigator of C. D. West, formerly adjustment bureau manager of the St. Louis association. Much could truthfully be written of the value of this step to the Association but the simple record of his accomplishments is sufficient eulogy. In February, 1918, our manager, Justin Henderson answered his call to the colors, joined the aviation squad for ground work at Columbus, Ohio, and has since been commissioned as a second lieutenant and transferred to Kelly Field, San Antonio, Texas. For the period of his leave, the office is in charge of C. L. Williamson, heretofore secretary of the Lexington association and now an assistant secretary of the National Association. Mr. Williamson brings to his work a trained legal mind, deductive skill and an orderly disposition. The high standard of service established for this department will not suffer at his hands.

No mention of those who are making our work a success would be complete without including R. Preston Shealey, Esq., Secretary of the Washington Association of Credit Men who acts as special representative of the bureau before the Department of Justice. His knowledge, fairness, broad acquaintance, tact and perseverance have expedited governmental action in a number of our most important cases of which specific mention is made later in this report. The pressure under which the Department of Justice is working at present makes a tactful resident representative necessary to the successful conclusion of such of our cases as involve a violation of the Federal statutes. The proverbial long arm and longer memory of the Government make it distinctly advantageous to bring our cases within the purview of the Department and this could not be done without the aid which Mr. Shealey has so promptly and fully rendered.

This committee is composed of one member from each affiliated association and a representative of the national members. The active management is in the hands of seven executive members. At the suggestion of the Secretary-Treasurer, during the past year the country has been divided into twelve districts each in charge of a vice-chairman or executive member. This plan of organization has been of great assistance to the department by providing a local touch with important cases and affording advice and information of untold value. Acknowledgment is here made of the willing aid and efficient service thus given by the following vice-chairmen:

G. F. Bentrup, St. Louis, Mo.  
G. T. Freeman, Minneapolis, Minn.  
J. P. Coleman, Louisville, Ky.  
R. S. White, Chicago, Ill.  
Louis H. Weil, New Orleans, La.  
M. H. Sowles, Salt Lake City, Utah.  
N. Hallgren, Seattle, Wash.

While ordinarily considered matters of detail, the accounting, filing and indexing systems installed by Mr. Williamson deserve special mention. They not only afford accurate records of our

present activities, but they are building up the facilities for speedily identifying the handiworks of the professional commercial crook and tracing his antecedents.

The history of our work is thus brought down to date. Your committee now passes with avidity to the opportunity to render you an account of its financial stewardship:

#### RECEIPTS

Balance forward June 1, 1917 .....	\$20,975.26
Received from subscribing associations .....	\$10,549.50
Received from National Association .....	2,500.00
Received from individual subscriptions .....	3,020.55
Interest and other income .....	1,034.90
Miscellaneous receipts .....	444.79
Unredeemed pledges .....	1,000.00
	<hr/>
	18,549.74
	<hr/>
	\$39,525.00

#### EXPENDITURES

Salaries .....	\$3,349.97
Investigations .....	1,905.20
Miscellaneous expenditures .....	2,997.16
Expenses incurred but not voucherized .....	3,500.00
Transfer to permanent fund .....	10,000.00
U. S. Certificates of Indebtedness .....	5,000.00
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Cash on hand .....	\$11,772.67
Unredeemed pledges .....	1,000.00
	<hr/>
	12,772.67
	<hr/>
	\$39,525.00

The Association subscriptions represent contributions from seventy-two out of one hundred and twenty-five associations making up our membership. Two hundred and ninety individual members are subscribers and special emphasis should be laid on the prompt and willing manner in which their contributions were paid.

The record of work handled by the department during the year follows:

Cases pending June 1st, 1917 .....	124
New cases undertaken during year .....	86
	<hr/>
Total cases .....	210
Old cases closed during year .....	89
New cases closed during year .....	34
	<hr/>
Total cases closed during year .....	123
Cases pending May 31st, 1918 .....	87

The department does not include a case in the above figures unless it contributes to the prosecution or conclusion. In addition to the above, twenty-five cases were given preliminary consideration

of which fifteen could not properly be considered prosecution cases, and they were referred back to the complainants with advice as to the best course to pursue. The remaining ten are still pending in the file, awaiting further information before submission to the executive members.

Many single complaints have been informally filed by members without complying with the necessary rules of the department. In each instance, individual attention has been given to the claim and the complaining member has been shown wherein the case does not come within the scope of our activities or has been advised how to put it in a form to enable its investigation to be undertaken. Reference and discussion of all suspicious matters is encouraged and a careful tabulation is made of all names and facts in the card index previously mentioned, so that a second complaint from any source finds the Manager with some facts on which to work. The value of this file would be still further increased if local associations would send in brief reports of cases handled by them independent of this department so that the debtors' names could be made a part of its records.

Many of the new cases have been handled by extending moral and financial assistance. The department has undertaken thorough investigation as a basis for criminal action in fifteen cases, has secured indictments in seven and in the others reasonable prospects of success are apparent on the conclusion of the inquiry.

The cooperation of state and federal authorities is essential to our complete success, and there is no quicker way to alienate this support than the presentation of weak, poorly worked up cases. To the contrary, one district attorney said that he could not see much in a given case, but that Mr. West had never yet brought in a case without merit and he would undertake it on Mr. West's recommendation. The Department has some pride in stating that, in no case tried this year, based on its own investigation, has it failed to secure a conviction.

With all the elation which your Committee feels over the results attained by the department under its direction, no one is more conscious of the major part played by the Department of Justice and the Post Office Inspectors at Washington. In a number of cases when it seemed that weeks of tireless effort and investigation must go for naught because of local apathy, influence and delays or apparently unavoidable legal technicalities, the officials of the Government have afforded ready and sympathetic ears and in every merited case they have provided a remedy with such a swift, sure stroke that the effect of our work has been multiplied tenfold. Our experience convinces us that commercial crimes are particularly abhorrent to these two departments and that executives and operatives alike are committed to sleepless effort for their extermination. One of our chief regrets is that we cannot, for obvious reasons, name the many Government attaches who have so willingly and effectively cooperated with us.

The emphasis given to successful prosecutions should not blind us to the fact that this is the less important phase of our activities and that our success is measured by our ability as a preventative rather than a punitive agent. Punishment is necessary in given

cases to convince the fraudulently inclined that the Prosecution Department is not a new kind of a collection agency and that where a crime has been committed no financial settlement can avoid the consequences if there is evidence to secure a conviction. But our real value is the check on the morally weak, afforded by the knowledge of an impartial, properly financed organization, dedicated to the eradication of commercial fraud. To this end, your committee seeks the widest possible publicity regarding its purpose, methods, and results. During the past three months it has regularly supplied the newspapers of the country with pertinent facts bearing on its work and the clippings show that the newspapers from coast to coast have been exceedingly generous in the space given us. The continuance of this campaign at regular intervals during the coming year is recommended to the incoming committee. We urge also the publication of a monthly bulletin for distribution among subscribers to inform them of the periodical progress of our work and that the important features of successful prosecutions should be published in pamphlet form.

The citation of the salient facts in a few typical cases is not only interesting reading but it offers a number of valuable lessons to the credit man.

One of the most important in its far-reaching results was the Dothan Mercantile Company of Dothan, Alabama, including also the Sol Lurie case. Three stores with the same ownership had established a fair credit in the northern markets and up to the fall of 1917 their payments were prompt. Large orders were placed for the winter trade and payments ceased. Early in January, a representative of the businesses visited Baltimore and offered local creditors a 25 per cent. settlement and sought their influence to secure its acceptance by other creditors. Alleged inventory figures were presented, disclosing that the business had been losing ground, despite previous reports of unprecedently successful operation.

Baltimore creditors were suspicious and the Baltimore Adjustment Bureau declined the offer, undertook to organize the creditors for a protective movement, arranged to file a petition in bankruptcy and presented the case to the Prosecution Department. Their prompt and vigorous action and excellent marshaling of facts as well as their subsequent unswerving support made conditions most favorable for the Department's action. Mr. West immediately went to Dothan where he found that the debtors, evidently forewarned, had filed voluntarily petitions in bankruptcy, and were insisting that the Receiver should accept their inventory. Mr. West successfully fought this proposition and a reinventory showed \$26,000 worth of goods in one store which had been appraised to contain \$15,000 and \$64,000 in the other, inventoried at \$29,000.

In the face of intimidation, bribery and false clues in the hands of witnesses available for a consideration, but supported by the decent element of the community, the reputable merchants and the able editorials of the Dothan Dispatch, Mr. West built up a case of unusual strength. This was so apparent at the first examination of the bankrupts that the parties to the fraud sent a representative North to offer a cash settlement of \$75,000 and then raised it to 50 per cent. or approximately \$90,000.

A few creditors without the confidence in the Investigation Department born of knowledge, began to waver, but the backbone, made up of member creditors, stiffened and thereby stiffened others, declined to compromise on any terms and insisted that the case should go on.

The goods were sold at auction for approximately \$72,000 and again due credit goes to the Baltimore association. "Orders to show cause" based on facts unearthed by Mr. West forced the bankrupts to disgorge \$30,000 thereby substantially bettering the best compromise offer. The Federal Grand Jury indicted four men on many counts, for using the mails to defraud, conspiracy to conceal assets, perjury and conspiracy to have false oaths made to schedules.

Many of the criticisms of lawyers offered by credit men are disarmed by the work in this case of Lee and Tompkins of Dothan, Ala., attorneys for the trustee. Our member creditors are indebted to them for financial outcome resulting from their carefully prepared presentation of the case on the rule to show cause, through care and skill in handling the estate and their patient, persistent examination of witnesses. The department owes them thanks for the cooperation, courtesy and assistance accorded Mr. West, whose peculiar abilities were thus given full effect in the case.

The further prosecution of these cases is now largely in the hands of the Department of Justice whose attitude has heretofore been so plainly indicated. Another measure of our good fortune is the fearlessness of the judge who will hear the cases and his steadfast opposition to any influence seeking to effect a compromise with criminality and a district attorney, conscious of his duty, and with the full measure of ability and courage to fulfill it.

"Alias Philip Feinstein" was a revival of that threadbare scheme of trading on the credit and reputation of an established merchant by buying goods in his name and having them shipped to a different address. It is a reflection on our credit methods that it is still workable. Suspicion was aroused after a number of shipments had been made, and with the cooperation of the New York Credit Men's Association, the National Investigation Department at its own expense sent the New York association's investigator, Mr. Rovere to Providence, R. I., where the fraud was operated. Mr. Rovere promptly discovered the character of the scheme and by quick, heady work secured the return to various shippers of goods approximating \$20,000 in value.

The fruition of our plan to trap the chief conspirator was destroyed apparently by some guileless creditor who had a uniformed policeman posted at the door of the business place to watch for the return of a proprietor who for some unexplainable reason never came back to claim his own.

The activities of the Department in cooperation with local associations have resulted in seven convictions and sentences in Tulsa, Okla., Schuylkill Haven, Pa., Buffalo, N. Y., Rocky Ford, Ga., San Francisco, Cal., and St. Louis, Mo. Indictments secured and pending number twenty-six and definite results in as many

important matters, which cannot now be publicly discussed, will be announced within the year.

The close association of present executive members with this work for several years convinces them that the careless credit man, is in reality an accessory before the fact in all too many of the cases of fraud which come to the Department. No better example of this could be afforded than the case now listed as the Price Dress Company. About three years ago the Philadelphia association convicted a man, under the name of Reuben Turetz, for participation in a fraudulent failure in the furniture business. He served a short sentence, was released on parole and almost immediately went into business as the Novelty Waist Company, manufacturing silk waists. At the end of six months he failed and one large house was a creditor for \$1,200. He next appeared in New York City as the junior member of Fox and Redmond. His partner was one Morris Gold alias Goldwyn. The usual failure followed and Turetz, alias Redmond, with his partner appears as Mr. Price of the Price Dress Company of Chicago. He was almost tripped in the failure of the Chicago business but managed to get away with several thousand dollars and escaped to the East. Goldwyn recently pleaded guilty to an indictment in New York City under the name of Fox and was sentenced to two years in the penitentiary. Turetz who had a record of several fraudulent failures before his conviction in Philadelphia is still at large. From past experience, there does not seem to be a reasonable doubt that should he again start in business he will be able to secure enough credit to repeat his previous successful haul. It is the slip-shod credit-granting methods making it possible for a man with such a record to get merchandise so easily, that put unjustifiable burden on business both by bad debt losses and for the support of protective organizations like ours.

The department has sometimes failed of the best results because local associations have carried a case on, incurred heavy expense for detectives and delayed action until they come to a stumbling-block when the Investigation Department is called in. The trail is often cold and the ordinary detective, unskilled in commercial fraud investigations, generally does more harm than good. If it is expected that the Department is to contribute time and services, instead of money, it should be called in as soon as there is evidence of a crime sufficiently strong to justify action.

Our success in securing convictions and increasing assets has made non-member creditors quick to respond to requests for contributions of a percentage of their claims for prosecution purposes. Some collection agencies and organizations for profit have not been slow to see that and their revenues have been increased by plans for investigations. Our members are urged to consider carefully any such request. Your Department will be glad to investigate the justification for them on request. The attention of local associations is also directed to this method of raising prosecution funds with the suggestion that when the services of the Investigation Department are invoked it will be glad to reinforce their endeavors by addressing such appeals from the National office.

The decrease in failures and the excess of business enabling one to pick and choose his risks have had a deterrent effect on losses from business frauds. Credit men have been making records requiring the use of new decimals to express the minute percentage of their losses. It is fortunate that our organized prosecution work should get its start at such a time and that our campaign of publicity should be well under way. These favorable conditions cannot always continue. When the setback comes, many weak men without criminal intent will waver between an honest failure with loss and a crooked one with profit. When that time comes, as come it will, our Investigation Department must be so well organized and financed that it can bring swift, sure punishment on the deliberate wrong-doer and so well-known that the weak will choose the harder but honorable course.

The committee submits the following resolutions:

I

*Resolved*, by the National Association of Credit Men in convention assembled, that a strong, active, virile investigation department is essential to business as a police measure and that the steadfast moral and financial support of associations and national members is pledged to its continued existence.

II

*Resolved*, that the thanks of the Association be extended to the Department of Justice and the Post Office Inspectors for their valiant efforts in the investigation and prosecution of commercial fraud and their cordial acceptance of our cooperation in all cases and that we extend to Lee & Tompkins of Dothan, Alabama, our thanks for their valuable assistance in the cases pending in their district.

Submitted with respect,

FREAS BROWN SNYDER, Chairman, Philadelphia, Pa.  
E. S. BOTELER, Vice-Chairman, New York, N. Y.

MEMBERS OF EXECUTIVE COMMITTEE

W.M. KOESTER, Jersey City, N. J.  
W. F. McAVOY, Baltimore, Md.  
C. DE L. ALTON, Glastonbury, Conn.  
H. G. NEWCOMER, Utica, N. Y.  
C. A. MCCORMICK, New Brunswick, N. J.  
F. C. DEMMLER, Pittsburgh, Pa.

E. PILSBURY, New Orleans—I desire to make an announcement covering a case that has been under investigation in New Orleans for nearly two years. The case is the People's Furniture House. The proprietor was a local instalment dealer. He went into bankruptcy in 1915 with liabilities of \$60,000 and assets listed of \$5,000. After considerable investigation we brought back into the estate \$18,000 in actual cash and just before I left home the federal petit jury returned, tried the man and convicted him and he will shortly be sentenced for concealing assets. (Applause.)

MR. PAVEY, Indianapolis—I wish to state that we have had a

case under investigation which we were unable to get the United States District Attorney or his assistant to take up, but through the Post Office Department the case came to a head and the first indictment in Indiana under the false statement law was rendered two weeks ago. The crooks immediately employed the best attorneys available, but last week, under the advice of these attorneys, they pleaded guilty and in a day or two the sentence will be pronounced by the district court at Indianapolis. (Applause.)

**PRESIDENT WHITLOCK**—We are honored to-day by having with us a representative of the American Bankers' Association and it affords me a great deal of pleasure to present to you Charles A. Hinsch of Cincinnati, Ohio, president of the American Bankers' Association.

### Address of Charles A. Hinsch, President of American Bankers' Association

*Mr. President, Ladies and Gentlemen:*

It affords me great pleasure to extend to this great gathering this afternoon the greetings from the American Bankers' Association. Some of you know that during the past year our committee on trade acceptances has been working in harmony with your committee on that great subject and I sincerely hope that the results that have attended this joint session may be extended to other activities where we are working along common lines.

There never was a time in the history of our nation when unity of purpose was so necessary as it is to-day, when cooperation was so imperative, and I hope, therefore, Mr. President, that the good work that has been begun this year will be only a beginning and will extend to other activities in which we have a common interest. (Applause.)

The world is entering on a new era. It seems to have turned its back forever on the past. Precedents and traditions have suddenly become obsolete. For the time-being, at least, the so-called law of supply and demand is being ignored or defied. Industrial organization is upset. Industrial methods are being revolutionized. The impossible—or what was formerly regarded as impossible—is a matter of daily achievement.

In the midst of this war we want to conserve man power and stimulate production, both agricultural and industrial. We need to prevent waste and promote thrift, but in this effort we must not "kill the goose that lays the golden egg."

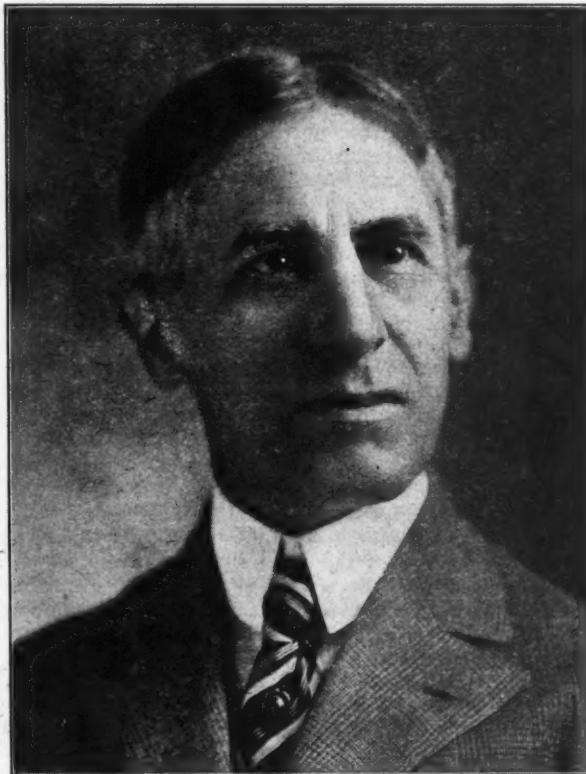
### NON-ESSENTIALS

A prominent authority recently stated: "No legitimate business which can make money without competing with the government is non-essential," and, in fact, rated every such business as very essential, because "money is one of the most important munitions of war." A constantly increasing flow of money from the people to the government's treasury will be necessary during the progress of the war.

## GOVERNMENT BONDS

The gross debt of Great Britain at the present time amounts to twenty-nine billions of dollars and in the face of this enormous debt British bonds have steadily become more marketable. The British issue two classes of bonds—4 per cent. bonds free from normal income tax and 5 per cent. bonds subject to all taxes.

Last November the treasury department of Great Britain sub-



J. E. NORVELL

Norvell-Chambers Shoe Co., Huntington, W. Va.  
Director

stituted the policy of a continuous sale of bonds in lieu of periodic campaigns; the weekly bond sales have progressively increased from seventy-four millions to one hundred and eighty-seven millions.

It has been suggested that it might be well for this government to adopt a similar plan, perfecting permanent selling organizations which will continue their activities during periods between the bond campaigns, with a view to disposing to the public of bonds that are

offered from time to time in the open market. It is believed in this way the bonds could be maintained at par.

#### INCOME AND EXCESS PROFITS TAX

Many provisions of the income and excess profits tax are inequitable and it is to be hoped that Congress will amend the law as these facts become apparent.

Unless our industries prosper, our business men and their employees cannot buy Liberty Bonds from current profits and savings, nor will there be any excess profits on which to levy a tax. It is essential during the progress of the war and the reconstruction period that will follow that production be encouraged to the utmost. This cannot be done unless the spirit of enterprise, individual activity and buoyant faith in the future can be maintained throughout the period of the war regardless of the temporary reverses and hardships that the war may entail.

#### FINANCIAL PROBLEMS

On the banker rests grave responsibilities. Not only must he guard the financial position with more than jealous care, but he must be alert to every change that comes. As a citizen he must study the conduct of government, for government seems to have been placed in the laboratory and is being subjected to all sorts of experiments. The progressives and the radicals are free with suggestions and the reactionaries crop out in unexpected places. We find Germany encouraging and supporting socialism in Russia and suppressing it at home.

To any suggestion calculated to speed up the war we must accord a hearing. To any plan designed to aid in any way in winning the war we must give consideration. These things all concern bankers as citizens and as citizens they are bound to be familiar with all the happenings of the day. But as bankers we are particularly concerned with the strengthening and perfecting of our financial machinery and the effective mobilizing of our money power. To this end and purpose the American Bankers' Association is enlisted for the war and for the period of reconstruction that will follow the establishment of peace. The association has placed its services at the disposal of the government. It has rendered great and very practical aid in the placing of the three issues of Liberty Loan Bonds.

#### FEDERAL RESERVE ACT

The great prosperity that came to us during the first two years of the war was a double preparation for us. It made us industrially more competent to produce the things we must produce. Financially we were better prepared than in any other way. We did not realize it when the bill was under consideration, but the Federal Reserve Act was about the only real preparedness measure in the statute books when the war in Europe began. We had such a narrow margin that it was more than three months after the first eruption in Europe before the Federal Reserve Banks were opened. But they have proved their quality. Where we would have landed if the old banking system remained in force we may

well shudder to think. The Federal Reserve System in its fundamentals is a scientific commercial banking device which expands and contracts, adjusts and readjusts itself to business conditions within only such limits as are fixed by the reserve position.

The great war has brought the Reserve Banks to a commanding position which would otherwise have been denied them within the time that has elapsed since their organization. Circumstances and the great credit operations of the government have transformed them into mighty banking forces. The great necessity of marshaling and mobilizing the country's financial resources will make them still greater institutions. If there had been no war we might have gone on for years, secure in the knowledge that we had mobilized as great a part of our banking resources as would meet any conceivable emergency in peace. We now need every ounce of our banking strength in the system which is working out the financial salvation of the country in this time of stress. What is ahead of us we do not know.

Shall this strain be borne only by the national banks and the few state chartered institutions which are members of the Reserve System? It is inevitable that the thousands of state banks, eligible to membership in the Reserve System must become members.

#### ELIGIBLE NON-MEMBER BANKS

In his proclamation of October 13, 1917, to the state banks and trust companies, President Wilson said:

"It is manifestly imperative that there should be a complete mobilization of the banking reserves of the United States. The burden and the privilege must be shared by every banking institution in the country. I believe that cooperation on the part of the banks is a patriotic duty at this time and that membership in the Federal Reserve System is a distinct and significant evidence of patriotism."

Every institution that enters adds its share to the country's financial power and strengthens the defense against disaster. The nation's motto: "Many in One," is especially applicable to the situation, but not more so than that of Kentucky: "United We Stand, Divided We Fall."

With every gun, every man and every woman mobilized and ready, each dollar of cash or credit should now fall in behind the front line as the impenetrable and unconquerable reserve. After the war, perhaps, old conditions may again obtain, but until that highly desired day dawns the strength that union brings should be cultivated.

Thus far only four hundred and forty-four state institutions with resources of six and one-quarter billions of dollars have joined the Federal Reserve System.

We have mobilized up to the present time about 70 per cent. of the banking resources of the country and it is imperative that the other 30 per cent. be secured at an early date.

Last June a number of amendments to the Federal Reserve Act were passed, designed to encourage the state banks to enter the Federal Reserve System. Eligible state banks may now join the System, retaining their present titles and charters, with all the privi-

leges conferred by the state laws under which they are incorporated. They are not subject to examination by the Comptroller of the Currency, and where efficient state banking departments are maintained the reports of condition submitted to the state superintendent of banks will be accepted by the Federal Reserve Bank of the district, and further, under these same conditions examinations conducted by the state will be accepted, the Federal Reserve Banks, however, reserving the right to make an independent audit should they deem it advisable.

The state institutions are not subject to the loaning restrictions of the National Bank Act, but may make loans in accordance with the state law, provided, however, that loans made to any individual, firm or corporation in excess of 10 per cent. of the capital and surplus are not eligible for rediscount by the Federal Reserve Banks. This restriction is for the purpose of placing them on an equal basis with the national banks, which cannot make loans to any one concern in excess of 10 per cent. of their capital and surplus. All other eligible paper, however, is subject to rediscount, for which Federal Reserve notes may be secured if desired.

An eligible state bank to become a member of the Federal Reserve System must subscribe to stock in the Federal Reserve Bank equal to 6 per cent. of its capital and surplus, one-half of which must be paid in. This stock pays cumulative dividends of 6 per cent. and it is a well-known fact that all of the Federal Reserve Banks are earning largely in excess of their dividend requirements.

In addition, member banks are required to keep on deposit with the Federal Reserve Banks balances predicated on their demand and time deposits as follows:

	Demand Deposits	Time Deposits
Country Banks .....	7 per cent.	3 per cent.
Reserve City Banks .....	10 per cent.	3 per cent.
Central Reserve City Banks	13 per cent.	3 per cent.

Furthermore, state banks may withdraw from the system upon giving six months' notice, so that it would seem that state banks can well afford, for patriotic reasons, to join the Federal Reserve System at least for and during the period of the war. Further amendments may be necessary to meet objections that may be raised, but so far as is known every feature of the act to which the state banks made tenable objections has been corrected.

#### REMEDIAL STATE LEGISLATION

It is not generally known that in a great many states remedial legislation will be necessary to enable state banks to join the Federal System. For instance, the laws in some states prohibit state banks from owning stock in any corporation. In other states the law requires all of the reserve to be carried within the state and if the Federal Reserve Bank does not happen to be located in the state it is apparent that such state banks cannot legally carry their reserve with the Federal Reserve of the district. The laws of some states require banks to carry a portion of their required reserve in their own vaults, this requirement usually carrying with it the obligation to carry reserves in gold.

The capital necessary to secure a national charter is fixed by

the National Bank Act and is predicated upon the population of the place of location. The minimum capital being \$25,000 and state banks to be eligible for membership in the Federal Reserve System must comply with these capital requirements. It is obvious, therefore, that about eight thousand state banks are not eligible for membership unless they increase their capital. In many instances this is not justified by local conditions. Again, a great many trust companies do neither a savings bank nor commercial business and their membership in the Federal Reserve System would be of little, if any, value. Such institutions should not, therefore, be referred to as being unpatriotic if they do not become members. There are, however, about twelve thousand state banks that are eligible and they should respond to the nation's call for service by entering the System.

#### FEDERAL RESERVE MEMBERSHIP COMMITTEE

In recognition of the desirability and necessity of unifying the banking power of the nation, the American Bankers' Association, through its Federal Reserve Membership Campaign Committee, has entered upon a campaign of education, having for its purpose co-operating with the Federal Reserve Board to the end that all eligible non-member banks may be induced to join the Federal Reserve System. This committee has a representative in each Federal Reserve District, whose duty it is to cooperate with the Federal Reserve agent there for the purpose of bringing into the Federal Reserve System all desirable eligible non-member banks.

Furthermore, the members of this committee having supervision over states where remedial legislation is necessary, are expected to urge the adoption of such legislation at the earliest possible date, even if it should become necessary to call a special session of the legislature for that purpose. It is believed if the urgency of the situation is presented to the governors of these states that there will be no hesitation on their part in calling special meetings of the legislature for the purpose of enacting the necessary legislation.

The Federal Reserve Membership Committee recently held a conference with the Federal Reserve agents in Washington, D. C., and deep appreciation was expressed for the constructive work accomplished by the committee under the guidance of its chairman, J. H. Puelicher of Milwaukee.

#### REDISCOUNTS

One of the greatest facilities provided by the Federal Reserve Act is the ability of member banks to rediscount eligible paper. The ability to do so has lessened the necessity for carrying large cash reserves, and, in fact, banks now find it only necessary to carry what may properly be termed "till" money, their required reserve all being carried with the Federal Reserve Banks.

Until the passage of the Federal Reserve Act, it was looked upon as an element of weakness for the statement of a banking institution to show either a bills payable account or a rediscount. An examination of the financial statements of the Federal Reserve Banks indicates that the practice of rediscounting on the part of member banks has become quite general and that the prejudice

which formerly existed against this practice is gradually being eliminated.

The heavy demands of the government for funds with which to finance the war and the necessity of taking care of the commercial needs of customers who are producing things needed for the successful prosecution of the war has materially changed the mental attitude not only of the banker but of the public, and to-day a bills payable account and a rediscount indicates that the banker is doing his full duty in responding to the patriotic call for service.

#### CREDIT SYSTEM

Certainly our credit system has attained a reputation as a result of the war that would have been impossible of attainment in any other manner. It has truly been said that "all of the old landmarks and tide-levels upon which bankers used to rely for guidance have been swept away by the great torrent of credit now sweeping over the world." It is obvious that the credit system of the past was merely a child in comparison with what it will be in the future, now that in the present emergency it has become full-grown.

Up to the year 1914, when the Federal Reserve Act became effective, American banks loaned money but did not lend their credit.

#### ACCEPTANCE SYSTEM

The Federal Reserve System has introduced and put in operation in this country the acceptance system, which has been in general use by foreign banks for many years and which is nothing more nor less than a loan of credit instead of a loan of money.

London, for years, has been the financial center of the world, largely due to the existence in that city of an open discount market, largely the result of the use of what in England are termed "bills," which are known to us as bank acceptances and trade acceptances.

#### SOUTH AMERICAN CREDITS

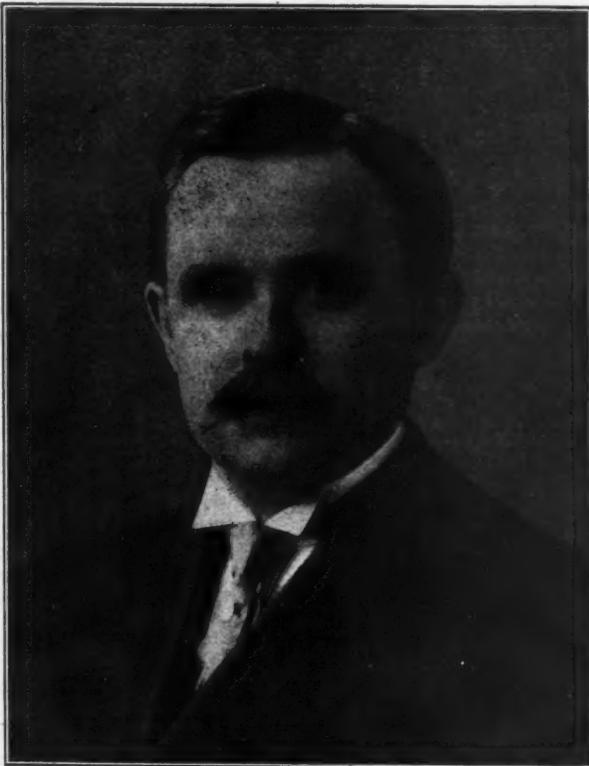
Prior to the breaking out of the world war, it was customary for European nations to extend long-time credits to merchants in South America through the use of acceptances. As the Federal Reserve Banks had not at that time been established, the American exporter was placed at a great disadvantage in competing for this business. The passage of the Federal Reserve Act, however, and the establishment of our open discount market, will, without doubt, lend an impetus to the development of the foreign trade of this country, which will be of great advantage when peace shall have been established and trade conditions have been restored to a normal basis. A clean bill of exchange is a draft without documents attached, drawn by one merchant upon another.

#### TRADE ACCEPTANCES

The Federal Reserve Act also gives encouragement to the use of what is known as Trade Acceptances. Briefly described a Trade Acceptance is an accepted draft drawn by a merchant on a customer to whom he has sold a bill of goods, the draft being drawn for a specified amount, payable at a definite time and place, and should bear on its face a notation evidencing that it had been

given in settlement of the purchase of merchandise. These Acceptances in Europe, to a large extent, materially reduce the demands for currency. In France the system is highly developed, and many of these bills are purchased by the Bank of France.

The general use of Trade Acceptances will render liquid bil-



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Director

lions now represented by open-book accounts and thereby strengthen our financial structure tremendously.

#### TRADE ACCEPTANCE VERSUS PROMISSORY NOTE

There is no conflict between the Trade Acceptance and the promissory note defined as single-name paper. It is rather between the Trade Acceptance and the so-called open-book account. If the buyer has been in the habit of discounting his bills, a continuation of the practice should be encouraged. The system of offering a

cash discount for the prompt settlement of bills is economically sound.

Those advocating the use of Trade Acceptances have no intention of suggesting a change in the terms of settlement now in vogue in the various lines of industry, other than to convert the open-book account into a live and virile asset. A Trade Acceptance having a maturity of more than ninety days is not eligible for discount by the Federal Reserve Banks, but member banks will gladly handle such paper, because they can rediscount it to advantage when it reaches a ninety-day maturity or less.

Business men have been led to believe that the adoption of the acceptance method would place them in possession of paper which would be accepted by banks as a matter of course.

The question of credit in the final analysis depends largely upon the reputation of the individual or concerns involved, and the banker, in passing upon paper submitted for discount, takes into consideration the character, ability and financial strength of the makers and endorsers.

Acceptances will be subjected to the same acid test that is applied to other paper. Credit is to a business enterprise what virtue is to a woman; it is not sufficient that it be good, it must meet Caesar's demand of his wife and be above suspicion.

Acceptances are not subject to renewal. The very nature of the credit transaction they represent would be destroyed by such a practice.

It is obvious, therefore, that the credit value of a merchandise transaction is not changed because it is given representation in the form of trade acceptances instead of an open-book account or a promissory note. It is also obvious that the Trade Acceptance will have to make its own way into business customs after a trial in the laboratory of experience.

#### CONSERVATION AND INCREASED PRODUCTION

The nation is passing through a crisis. It is difficult for the mind to grasp the details of the great struggle or to comprehend it in its entirety. The greatest of all the problems bankers have to confront and solve is that we may control the war and that it may not control us. In the effort we are successfully making to control the war, the fundamental problem is that of finance. In the early history of the world, when tribe warred on tribe, the question was one of arms and food, not money. In feudal times it was about equally a question of supplies and money. Later it became a question of money with the supplies pretty certain if money could be obtained. Now it is a question of supplies and credit, with the two so clearly related as the result of our complex economic scheme that neither can be considered without the other. It is unfortunately not true at this time that money means supplies. We must look out for production, both agricultural and industrial. We must divert our efforts to the exclusive production of the things necessary to success in war. It is essential that we produce many things in quantities enormously greater than ever before. We need more food relatively for ourselves, because many thousands of men have been turned from productive to military enterprises and we have

the additional obligation of feeding our allies. We need industrial activity multiplied in many cases beyond anything dreamed of in times of peace. War is now a great industrial enterprise. Military forces would be idle affairs if the industrial organization back of them could not produce the things that war now demands.

It is hardly necessary that I speak of the infinite variety of other things that war demands—of ships, railroads, automobiles, ambulances and medicines. Taken altogether, these things have placed upon the industrial and agricultural world burdens which have reacted normally to place a strain on credits.

#### DUTY OF THE BANKER

We are passing through the most critical period in our national existence. We are engaged as active participants in the greatest struggle the world has ever witnessed and the future of this country and that of the civilized world hangs in the balance.

It is unthinkable that we should submit to German domination and we must, therefore, fight on until our efforts are crowned with victory. Never in the history of our nation was unity of purpose so necessary. Never before was organization so absolutely imperative. We must cooperate with the government to win the war. Nothing can stop the driving power of effective organization well directed.

To prosecute the war successfully, the government must be assured of a constant and continuous flow of funds from the savings of the people to the Treasury, and to that end banks must not relax their efforts to insure the success of the sale of Liberty Bonds as they are offered from time to time by the government, and in the period between the bond campaigns should purchase liberally of the short-time Treasury Bills, which are substantially an advance sale of Liberty Bonds. There must be no faltering on the part of the banks of the country in this great work. The banks in this regard may be termed the "first aid to the injured." But the banks should not purchase these securities with a view to holding them for their own account. They must be passed on to the public, thus keeping the banks in a liquid condition, so that they may be in a position at all times to insure the success of the Liberty Bond campaigns, and to respond to the commercial needs of the nation.

#### COOPERATION WITH THE GOVERNMENT

The banks of this country can be of great service in cooperating with the government in the efforts they are making to increase food production, to prevent waste and to prevent new enterprises that are not essential to the government in prosecuting the war. To that end we must give our moral support to the Capital Issues Committee in the great work they have undertaken in passing upon proposed new capital issues. This board is composed of broad-gauged, liberal men of vision and we can rely on their judgment in this trying hour.

#### CONSERVATIVE POLICY IMPERATIVE

We are passing through the most momentous period in the history of civilization. The world has been divorced from all adher-

ence to reactionary resolves. Innovations and experiments find eager supporters. Radicals and dreamers are alert. The prophets are telling of the war's end and the conditions thereafter, but no man can speak with certainty of these things. There is only one course. We must keep our house in order. We must be sure to avoid ventures and speculations. Our business must be held to charted channels. Our banks must be kept liquid. If we do these things and hold firmly to our course, we can look forward to the future with confidence.

#### SOME POSSIBLE ADVANTAGES FOLLOWING THE WORLD STRUGGLE

In a recent address, one of our prominent citizens outlined the needs of our country in a most forceful manner when he said: "The great need of this country at the close of this war will be to elect to office responsible, patriotic men of knowledge and capacity to grapple with the nation's problems—men without fear and who will not be influenced by favor. They need not be representative of party or faction—they can be representative of the highest ideals of the Republic.

"After this war let us be a little less insistent on party advantage, a little less keen for material success, a little more regardful of thrift and very, very considerate of the security of our nation and its future."

We must encourage a patriotic and broadminded spirit of cooperation in this country between the government, our bankers, our merchants and manufacturers, our farmers and our laboring classes. If we succeed in this effort we shall emerge from this conflict a country with a newborn national spirit, self-reliant and efficient, with a merchant marine flying the Stars and Stripes to carry our products to all parts of the world and an army and navy calculated to inspire respect for the rights and property of our citizens wherever they may be. (Great applause.)

PRESIDENT WHITLOCK—The next item on the program is a conference subject. It will be our endeavor to have the two members who are on the platform present the subject, "The Credit Man—What He Is, What He Has to Do, and How Constructed." Mr. Paul will speak first. After these gentlemen have spoken, then we will turn them over to the official quiz-master, Mr. Tregoe, to lead them along through a quiz in which you can all join. Mr. Paul. (Applause.)

#### CONFERENCE SUBJECT

#### "The Credit Man—What He Is, What He Has to Do, How Constructed"

By J. M. PAUL, of Minneapolis

I have often wondered where our honorable secretary-treasurer got those long subjects he evolved for our conferences, for I was dismayed when I received the subject assigned me, "The Credit Man—What He Is, What He Has to Do, How Constructed"—I was dumbfounded when I received instructions to cover this whole cradle-to-the-grave category in ten minutes.

This is the first of a series of conferences that is scheduled for this convention and while they are somewhat of an innovation, I understand much is expected of them. It is, therefore, with a keen appreciation of the responsibility that rests upon me and some little timidity and apprehension that I approach the task of opening the first conference—timid that with my limited ability I may not be able to cover so large a subject in so short a time and apprehensive that you will not respond with criticism and suggestions, on which the real success of these conferences depend. You can dispel my timidity by overlooking my shortcomings and my apprehension by taking an active part in the debate which is the all-important part of the conference.

If there ever was a time in the history of the world and the world's business that credit men should take themselves seriously, that time is now. We are at war, a war that can have but one conclusion whether it take one year or ten, we must win. Every man, woman and child in this country must think war, talk war, live war so that with an absolutely undivided front we will be able to force that terrible menace to freedom, that engine of conquest, the Hun war machine not to its knees, but to that oblivion where such relics of barbarism belong. (Applause.)

The Credit Man—What He Is: He is the greatest constructive force in business to-day. He is the governor on the great engine of commerce and trade, the keystone in the arch of business endeavor.

I do not say this in a spirit of thoughtless self-flattery, but to impress upon you the immense responsibilities that rest upon you. Dr. Holdsworth said at Kansas City last year that our slogan should be "Sounder business than usual while this war is going on," and when you consider that we, as credit men, must direct the very life-blood of business, the finances, you must appreciate the dignity of our task and the importance of our position in the great business world.

Make no mistake, the eyes of the business world are upon you as you sit here in this convention watching in what spirit you accept the responsibilities which this world crisis has placed on your shoulders.

The Credit Man, What He Has to Do: If I had an hour instead of ten minutes at my disposal I would then only have begun to enumerate what our many duties are.

Our greatest work at this time is to maintain business on an even keel. The demands of war are figured in billions, figures unheard of before in business and with almost twenty million subscribers to the last Liberty Loan, we must meet a condition where almost every family in the United States has voluntarily assumed a financial obligation aside from its regular demands.

What problems this condition will present no man knows. That these problems will be met successfully depends entirely on you credit men. Yours is the task of so directing the course of business as will make available these great sums as they are called for by our government and still not impair the very fundamentals of all business—credit.

You must approach your task with a wise optimism born of a

full knowledge of daily conditions. You must study business conditions from a national viewpoint. You will not be permitted to wrap yourself up in your particular locality and let the rest of the world wag as it will. City lines, county lines, state lines have lost their importance, for we are a nation. The affairs of the nation are your affairs, and you, as credit men, must get this bigger, broader vision if you are successfully to perform the task assigned you, if you are faithfully to do your war duty.

Some day the glad news of Victory will come across the waters and our boys will come home, their work nobly done. Do not deceive yourself that you can then rest on your oars, for your work will be just begun and you will have still before you the long, hard pull through the period of business readjustment.

As a boy we had a game called, "What goes up must come down on the head or on the ground," and we accompanied this call with the throwing up of anything from a feather pillow to a bunch of Irish confetti, and woe to him who did not dodge successfully. I have thought of that game many times during the last two years, and am still wondering how many merchants, manufacturers and bankers are going to get a sudden jolt when prices, which have been so steadily climbing, begin to go down.

With this thought in mind you will realize the importance of education as a part of your duties. The confidential nature of your dealings with your customers places you in a position where you are able to advise and educate, and the credit man worthy of the name will feel it his duty so to acquaint himself with his customers' problems as to be able to offer advice that will be of value.

That education and wise prompting is necessary is shown by the record of failures for 1917, a year when almost every day brought advances in practically all lines, we had 13,855 failures supplying liabilities of over 182 million dollars and in 1916, with business conditions about the same and our own country not in a state of war, we had 16,993 failures with liabilities of over 196 million dollars. With this failure record for two years of rising prices, it is apparent to every student that more care and guidance will be necessary when prices in the business readjustment should seek a lower level. This will be especially true should the change take place rapidly.

P. W. Goebel, in his excellent address at the Kansas City convention referring to the credit man and his duties stated: "A great job you have before you, but no set of men in the history of the United States has ever had the opportunity to do a greater service to this country than you have to-day. I know that with the cooperation of the banking fraternities you will solve these questions and solve them right."

The Credit Man, How Constructed: A man gets out of this life just what he puts into it. Like begets like. You cannot attract honesty and square dealings with subterfuge and trickery, optimism with pessimism, thrift with extravagance, self-denial with self-indulgence. Therefore, to be properly equipped for the great work you have in hand, you must measure up 100 per cent. to the standards you demand.

Therefore, I charge you, Mr. Credit Man, in this conference that you take your own measure. Stand aside and watch yourself go by. You are called for special duty in the world's greatest crisis.

Are you properly armed to meet the problems as they arise? Do you measure up to the standard in knowledge, in poise, in energy, in thrift, in self-denial, in determination, in discretion, and in industry? And above all, have you the courage of your convictions, do you stand firmly on your own two feet?

As Kipling says: "Can you keep your head when all about you are losing theirs and blaming it on you?" (Applause.)

If you can do all these, then you can measure to the big man's job that lies before you.

The war is going to be won and it has been said many times that it will be won "over here." To be successful in war there must be two armies: The army of combat, the fighters, and the army of support, the providers.

The fighters, thank God, we have got them, 1,500,000 of them now with more millions to follow, the best and bravest fighters the world has ever known. (Applause.) The Kaiser knows that, too, so does the Crown Prince and Hindenberg and all the military party, they know as you know and I know, and the French know, and the English know, that the American Army backed up by the American people cannot be beaten. (Applause.)

We, you and I, and the others who are not privileged to fight, form that important army of providers, and it depends on what measure of devotion, of zeal, of energy, of self-denial, of loyalty, of patriotism, we do our part how soon our armies in the field can be victorious.

As credit men, we number about 25,000, about half an army division. The task assigned to us is just as important in its effects and bearing on victory as though we were called to fill a gap in the line on the Marne. But never fear, credit men will take their place and do their full duty because they stand 100 per cent. in citizenship, 100 per cent. in loyalty and 100 per cent. in patriotism, and let us hope they will be found 100 per cent. efficient. I thank you. (Applause.)

#### CONFERENCE SUBJECT CONTINUED

By H. C. WORKMASTER OF PITTSBURGH

*Mr. Chairman and Gentlemen:*

Were we living in the darker ages of misunderstanding when competition was accepted as being the life of trade, I would have hesitated to take part in the leading of an assault upon you by telling you "credit men, what you are, what you have to do and how you should construct yourselves." We are, however, awakening to a consciousness of many new conditions and we have come to realize that cooperation instead of competition is the life of trade. (Applause.) We have begun to appreciate the responsibilities which rest upon the credit man in the conduct of business in this wonderful epoch of rapidly changing conditions. The position of the credit man has developed in importance beyond expectations and the progress has indeed been largely augmented by the efforts and activities

of this association which has become recognized as a most powerful force in the commercial world to-day, standing for, yes, demanding, if you please, a safe and sane conduct of business and a consciousness of the danger of allowing business to proceed along unhealthy, indifferent and inefficient lines.

The credit man of to-day is the doctor of business and, like the physician dealing with our physical life, we must train ourselves in order that we may recognize and diagnose the various symptoms of those business ailments as they appear, that we may efficiently prescribe the proper remedy and through proper treatment restore the business to health and strength. There never was a time in the history of the nation when our decisions and actions needed to be weighed so carefully and intelligently as to-day. We must be alive in every sense of the word. Business ailments heretofore not experienced may appear and unless we are alert and prepared we may find ourselves face to face with these problems after the disease has obtained a firm grip upon the subject infected, allowing little opportunity to stamp out the malady. Further than this, we must radiate and instill the spirit of being alive and alert into our customers. We must keep our pace up to date if we are to keep our place up to date. There is real, serious, hard work to be done and each and every one of us should be at our very best in order to do it and do it well. In accepting this responsibility which rests upon us, we should first set our own house in order, take an inventory of ourselves and prepare for the demands and responsibilities which are to follow. Credit men are sometimes so busy analyzing others that they have little time or thought for analyzing themselves. "We Can't Be It until We're Fit." (Applause.) Let us take stock of ourselves before placing the blame elsewhere.

This reminds me of the story of the old Irish woman who with some friends had gone to visit the cantonment in which her only son had been drafted for service. During her visit she enjoyed the privilege of seeing the boys on parade. After watching for some time the large line of marchers she enthusiastically remarked: "There's Mike's company now; where's Mike? O there he is! Everybody is out of step but Mike." (Laughter.)

Let us not, my friends, place the blame upon the other fellow. Perhaps the trouble is with ourselves. Let us for a moment consider some of the most serious problems which we are facing to-day and which must be taken into consideration in the granting and extension of credit.

**Labor**—The labor problem is regarded as one of the most serious at this time. With our men constantly called to the colors it is important that we consider that element very carefully in relation to ability to perform. Each and every true American, no matter what his vocation in life might be, should appreciate that it is the patriotic duty of every man who stays at home to do double duty at home; and why not? The boys who have gone over to fight your battle and my battle have not signed up upon an eight-hour day basis with all the pleasures of home life. (Applause.) Should we not do more than is expected of us in normal times. Labor should recognize the necessity of such a program and could we instill in every one the necessity of this we would, in a great

measure, accomplish the disposition of a very serious problem. This is no time for shorter hours and luxury, for our country demands greater production and conservation. Female labor is in many instances taking the place of the male labor and the spirit which is being shown by American women is sufficient evidence of their patriotism and desire to do their "bit." (Applause.)

Transportation—This indeed is an important problem which should be considered seriously in the granting of your credits. There are many lines to-day of a less essential character which, it is expected, will be seriously handicapped through inability to market their products. The problem of transportation has also demanded our attention because the congestion of goods in transit has tied up a vast amount of capital in claims with the carriers for lost and damaged shipments. The Pittsburgh Association of Credit Men nearly six months ago in recognition of the importance of this matter appointed a committee which has been making a study of the situation in an effort, if possible, to bring about a reduction of the vast amount of capital tied up in this manner. The claims of one of our local institutions against the carrier some weeks ago amounted to nearly \$200,000. There has been a general complaint as to the difficulty in obtaining payment of claims from the railroad or express companies which in many instances would not even acknowledge receipt of letters and would not apprise the complainant as to the claim numbers, which they had always in the past been willing to furnish as evidence of the claim having been entered and recorded. During the past few weeks there has been some relief in this respect and there has been a general reduction by the payment of a considerable number of claims. The increased revenues which the carriers will secure through the increased freight rates, it is believed, will further encourage more prompt disposition of claims and this is practically assured us in Circular No. 4 of May 20th, issued by the Honorable C. A. Prouty, Director of Public Service and Accounting. Mr. Prouty states that it is the desire of the government to cause as little inconvenience as possible to the public and that the Director-General has under consideration rules which will be promulgated in the near future relative to the settlement of claims for over-charges, loss and damage, which he believes will result in a prompt and fair disposition of such matters with a minimum of inconvenience to the public. From the investigation made by the Pittsburgh committee we feel that the express companies under government influence will also correct these difficulties and that some relief will be felt just as soon as they can effect their reorganization. Let us, however, impress upon our shipping departments and upon our customers the necessity of plainly marking shipments and carefully crating shipments and if we do this much progress will be made toward eliminating congestion at the various terminals and the way will be open for expediting other shipments, thus cooperating with the Federal Director of Railroads in his task of eliminating congestion.

The hazards of transportation have occasioned, in many instances, the changing of policies as to the sales terms, resulting in much unrest between sellers and purchasers as to the liability in the event of a loss or damage of the shipment. A closer uniformity

of sales terms and a clearer understanding with our customers as to the meaning of our terms will do much to eliminate misunderstandings and release capital tied up in such accounts.

**Rising Costs**—The question of rising costs is one to be earnestly considered, especially in connection with construction contracts.

**Ability to Command Raw Materials or Supplies**—This is another of our serious problems and must be taken into consideration in relation to ability to perform.

After considering the foregoing elements it is then necessary that we consider the question as to the ability of the applicant for credit to conduct business under these new conditions and much depends upon the physical and mental attitude of our customer in relation to his ability to perform. Let us also consider the questions of adequacy of plant and finances and we as credit men must deplore and discourage the letting of contracts to concerns lacking in ability to perform.

We must consider everything which is at all likely to interfere with the life of business. We must set our house in order and prepare ourselves in such a manner as to make us in every sense of the word producers in the interest of the government in a complete and comprehensive disposition of this great war program. Let us not for a moment lose sight of the burdens which are bound to come and which we, as typical Americans, are so prone to discount through our confidence in this great and powerful nation. Let us realize that every ounce of energy that we put behind this program tends just that much more toward accomplishing our purpose, just that much sooner toward an assured and lasting peace to the world. Let us prepare ourselves and our customers for the changes which are bound to come and let us not lose sight of the fact that many concerns can be transferred from non-essential to essential producers and that we can, by proper treatment, increase the production of essentials, increase business activity and make of ourselves a great and powerful force toward the accomplishment of one purpose—the winning of the war. Our government is, at the present time, making an industrial survey of the nation's industries and such a plan which has already been tried out in some communities has proved very successful in utilizing factories of a less essential character for essential purposes. Such a survey should enable the government to ascertain the ability of performance of parties to whom they give contracts and to prevent delay of production through subletting of contracts. It is only good sense that we should secure the very maximum of production, ability and energy out of what we have at our disposal.

Many plants of a less essential character can often be transferred to the class of more essential producers. This will mean utilizing factories already built and engaged in the manufacture of commodities of a less essential character. Rather than erect new plants with the necessary demand upon labor and materials and the construction of new enterprises which might be compelled to close their doors at the completion of such contracts, it is advisable to utilize present facilities wherever possible. This would also mean continued revenue from such industries in the way of taxes, subscriptions and Liberty Bond sales, instead of the demoralizing

effect that would be produced by allowing such concerns of a less essential character to fail. Such failures at this time would not be good and the depressing effect which they would have upon the industries affected and the many people connected with such institutions would be dangerous and demoralizing—a condition we cannot afford to permit. We must by all means keep intact the credit fabric of the nation and this is indeed only second in importance to furnish-



W. M. BONHAM  
C. M. McClung & Co., Knoxville, Tenn.  
Director

ing men and supplies. We must in no way impair or interfere with the health and strength of business. The plan of properly utilizing our resources and our man power will mean a closer coordination between business and the government. Such a survey will mean much toward an accomplishment of our purpose.

Let us, therefore, stand with our government, not behind it, in unanimous support of this great war program. Let us be workers not shirkers and if we cannot fight in the trenches let us help in some other capacity to make of ourselves and of our enter-

prises direct producers in this great war program. Let us study and practice a conservation of our resources and of our man power. Let us construct ourselves and our affairs cooperatively, which is the only way we can accomplish the result desired at this time. "Big things are being done in a big way." Cooperation is positively essential in the disposition of the great problems of to-day.

At a public inspection of an insane asylum a visitor expressed considerable surprise at the large number of inmates who were under the control of a small number of guards and when inquiry was made as to the possibilities of an attack upon the guards being made by the inmates, the superintendent of the institution exclaimed. "There is no danger of them cooperating or getting together, for they are crazy."

Let us, therefore, not be foolish and if into the American business man can be instilled the idea of doing as much as possible instead of the least amount possible, I can see over the distant horizon a new light shedding rays of opportunities to a country renewed in spirit and in life and the remaking of a nation by the welding of that brotherly spirit which is steadily growing among men and which means so much to us in our future lives and responsibilities. (Applause.)

MR. SCHULTZ—I followed Mr. Workmaster's reading closely and I would like to ask him how he accounts for the decision reached by some people to invest their all in plants making war materials when peace might mean a great reduction of business.

MR. WORKMASTER—In answer to that I would say that those individuals or concerns are depending upon a long swing. There is no question but that the reconstruction of the countries of Europe is going to necessitate products in the way of farming implements and materials going into the reconstruction of those countries and that is what those people are getting ready for.

SECRETARY TREGOE—Mr. Paul, is the credit man made or is he born?

J. M. PAUL—I should say the credit man is made.

SECRETARY TREGOE—I understand now that you conceive the credit man must have certain qualities, he must possess certain qualities to be a skilful credit practitioner. And yet you say that all those qualities can be acquired and that he is not born with them.

MR. PAUL—In so far as optimism becomes an attitude towards your work, that is essential. A conservative optimist, in order to place some distinction on optimists—he was born not made. (Laughter.) As far as conservatism and the knowledge of conditions goes, I believe the credit man is evolved through business conditions. I am firmly convinced that many credit men who arrive at the desk in later years never feel that they had any of the essentials necessary for the conduct of their work. In fact, at this very time I have under inspection men who are showing no particular ability along credit lines yet of them I am hoping to make credit men.

SECRETARY TREGOE—You believe then that credit men are developed, that it is not a question of having inherent qualities that came to them by descent or inheritance? You are not going to give way on that?

MR. PAUL—Absolutely not!

SECRETARY TREGOE—What does the convention say to that?

MR. PAUL—Why are some credit men failures then?

SECRETARY TREGOE—Turn around and tell us.

MR. PAUL—I think in every man capacity to absorb information and knowledge and use it is inborn to a certain extent. It is just as we find it in the schools. You can train a man in some way, but you cannot train them all in the same way along the same line and you cannot make every man a credit man. The schools are trying to train them according to the way they are fitted to be trained.

I believe first of all we must be born with the right bent, must have that character as a body to start on.

SECRETARY TREGOE—You feel he must have some basis to start upon?

G. J. CLAUTICE, Baltimore—A credit man must have certain inherent qualities such as firmness, executive ability and vision. Possessed of these qualities a man can be made or developed into a successful credit man.

F. R. HAMBURGER, Detroit—I believe that the credit man must be developed, that his success is not so dependent upon inborn traits as on acquired habits of mind.

W.M. MEYERS, Pittsburgh—A credit man in order to be efficient must be made. He is not born a credit man. I think that a good credit department can make a good credit man out of a very dull boy. (Applause.)

MR. SIMMS, Grand Rapids—We have bloodhounds who follow a scent, and we have some men who make better detectives than others. Combine the same instincts of the bloodhounds and the same instincts of a detective, put education on that and you have a credit man.

H. G. WORKMASTER, Pittsburgh—I have had several boys in my department who after careful study I have found better fitted for the sales or the advertising department; in other words, they were square pegs for round holes in the credit department.

SECRETARY TREGOE—Mr. Paul, what do you think of your first argument?

MR. PAUL—I do not relinquish my first opinion. I believe that the credit man, in order to perform successfully the duties that come to his desk, must have an inherent alertness of mind and ability. I do not agree with Mr. Meyers that it is often possible to take a dull boy and make a good credit man but I believe given the fundamentals of an average amount of brightness, smartness and inherited ability you can take a man who has first of all gone along the lines of salesmanship and make a credit man out of him.

SECRETARY TREGOE—Mr. Paul, are all credit men credit men? (Laughter.) You enjoy the common law privilege of not incriminating yourself.

MR. PAUL—I should say not.

SECRETARY TREGOE—Then you mean that there are some square pegs in round holes and some round pegs in square holes?

MR. PAUL—Impertinent though it may sound, I believe I have met some.

SECRETARY TREGOE—I hope you don't recognize any in the audience.

MR. PAUL—I would have refrained from making the statement had I known any of them here.

SECRETARY TREGOE—You say given such-and-such factors, then you can make your superstructure. We will not dwell longer on that, it is something for us to think about. Mr. Workmaster, should the credit man be a good reader of human nature?

MR. WORKMASTER—He should by all means.

SECRETARY TREGOE—Why?

MR. WORKMASTER—For the reason that he must observe the various things which make for good or bad accounts, of which there are many. He must observe and analyze every element of a risk and be able to draw a conclusion as to which will probably make the good account and which the bad account.

SECRETARY TREGOE (To convention)—You have heard Mr. Workmaster say that the credit man should be a good reader of human nature. Do you care to amplify that?

S. PEPPER, New York—Credit is based on character, capacity and financial standing. One of the first essentials is character. Without an insight into human nature, it would be most difficult to form a fair opinion of a person's character and therefore I consider a study of or knowledge of human nature is most essential.

E. PILSBURY, New Orleans—Mr. Workmaster as a good credit man and excellent reader of human nature, I would suggest he go around the hall and sell Mr. Hamburger a few of our dull ones to polish up.

MR. HAMBURGER—I want to say a word. If to be a good credit man is predicated on being a judge of human nature, how can one exercise that judgment when in only about 10 per cent. of the cases passed upon does the credit man come in personal contact with the man he is selling? (Applause.)

J. C. HERBERT, Cincinnati—He can make inquiries as to the character of the buyer just as he makes inquiries as to financial standing.

EDWARD F. SHEFFEY, Lynchburg—It seems to me that the man who does not come in contact with his customers (and generally he does not) must of necessity read between the lines. He must read character in his reports, he must read it in what he gets in various ways, must read it, for instance, in what he gets from his salesmen. He may get a line on character at long range but he will get it, nevertheless. If he does not get at it in these ways, then he is not a good credit man. (Applause.)

R. R. ROBINSON, Omaha—I wish to take exception to Mr. Hamburger's 10 per cent. I believe that a credit man can judge by correspondence. He gets much valuable information through correspondence with a man he has never seen.

SECRETARY TREGOE—How many in the audience believe that the

credit man should be a good reader of human nature, raise hands?  
You are overwhelmingly sustained, Mr. Workmaster.

Mr. Paul, should the credit man be a student?

MR. PAUL—Assuredly, he ought.

SECRETARY TREGOE—What should the credit man read?

MR. PAUL—I read the Bulletin every month. I review it for our local association and I want in full justice to Mr. Tregoe and his associates to say that it is one of the best things that you can read. (Applause.) I am not saying this in a spirit of idle flattery but I am glad that it came up and I want to take this opportunity to impress upon every man that if you let one issue of this Bulletin go by without looking it through from cover to cover, you are missing something that will be of vital interest to you and will be a guide for your steps in the future. I have reviewed it every month for the last year and a half or two years; I have taken it home and studied it over and I have written a short review in order to interest and encourage our local association members to read it, taking probably a column or a column and a half in our local bulletin and, as far as my efforts are concerned, I believe it has been of some good to the association.

We should read every article that deals with conditions not only in our own localities but all over the country, now more than any other time. Conditions now are national in their standing and in their position and we should study all these conditions because no man here knows what tomorrow may bring forth.

It is just as important to me what conditions exist in the East and in the West as it is in the Northwest where I am more directly and financially interested.

SECRETARY TREGOE—Mr. Paul, should the credit man read history?

MR. PAUL—He should read anything that tends to inform him. I have read some articles in the Bulletin pertaining to financial history. These articles went through all of the activities of the peoples during the different progress of civilization and it was a most interesting service. It is not necessary in order to be clear and concise in your deduction for you to read on one line only. There is nothing so dry as Dun's report and Bradstreet's papers but you can take history and if by that form of mental capacity you place yourself in position so that you can more clearly see through, your mind being clear, problems that come up to you, that form of study is essential to your success as a credit man or to fill any other position that you may occupy in the business world.

SECRETARY TREGOE—How important is it that the credit man be honest?

MR. WORKMASTER—There is no question about that. He must be honest first with himself; he must be honest with his fellow credit man and unless he is honest, how can he preach the doctrine of honesty to his customers? (Applause.)

At this point Secretary Tregoe declared that the discussion had been given all the time that could be given.

PRESIDENT WHITLOCK—America now has a vast opportunity to increase her trade in foreign fields but to do so she must follow our

business leaders who do big things in a big way. The fact is that most business men are looking through the large end of the telescope. We must reverse the process, if progress and commercial supremacy is to be realized in proportion to our vast resources now mostly undeveloped.

Fortunately, we have with us to-day a noted American financier who will address the convention, taking for his subject, "Broadening the Vision of American Business Men." I have the honor to introduce Lewis E. Pierson, chairman of the Irving National Bank of New York. (Applause, the audience standing.)

### **"Broadening the Vision of American Business Men."**

Address by LEWIS E. PIERSON, New York, N. Y.

*Mr. President, Mr. Secretary-Treasurer, Ladies and Gentlemen:*

It is a genuine pleasure to be your guest, to take part in this wonderful convention, to take note of the wonderful way in which the machinery of your convention works because never have I seen such constant attendance at any of the many conventions which I have had the pleasure of taking part in. It is, I can see, due to your secretary and your president, the way they tackle things.

Now, singular as it may seem, the topic which has been wished upon me, "Broadening of the Vision of American Business Men," does not contain a single word on trade acceptances (Laughter) for the reason that I think you had a full dose of that subject in the three sessions yesterday.

Broadening the vision of the American business man, and this classification quite properly can be extended so as to include all Americans, is a subject consideration of which would appear peculiarly suited to the exigencies of the present hour.

Never before has the nation been so vibrant with strength and health and wealth and intention. Never has a future shown more wonderful possibilities and more serious dangers and, strangely enough, never before have we appeared to experience such difficulty in realizing these possibilities and in measuring these dangers.

Patriotism and power and energy and resourcefulness we have, but the vision demanded by the hour we appear to lack, or at least the application of the vision we *do* possess appears difficult beyond what reasonably might be expected.

Clearly this difficulty is not due to any weakness inherent in our people. Into the ordinary problem, business or otherwise, which is presented in our ordinary every-day lives we see quite clearly. At home and in connection with domestic problems, our powers of perception seem equal to all reasonable requirements, but when we come to consider the problems which are related to the larger world, or which require that we project our intelligence somewhat into the future, the lack of vision becomes distinctly apparent.

After all, it is not strange that this should be so. Until recently, we have lived and traded and thought in *domestic* terms. Our interest in the world generally and its problems, at most, was a casual one. We enjoyed or perhaps suffered from what we called our

splendid isolation. We assumed that the experiences of other countries meant little to us because of differences, real or imagined, between *their* conditions of life and business and our own.

Now we are learning that all this has operated to our disadvantage. We are coming to see that our former isolation from the world instead of being "splendid" was rather "stupid" and that, if even our domestic interests are to be protected, we must adjust our vision to a world horizon instead of to one which marks our geographical boundaries. In a large sense, we must become international instead of national.

In this direction the war even thus early has accomplished much and before its end will accomplish more. Already we have learned that our future must be a *world* future and this regardless of any inclination we may possess or any choice we may assume to exercise in the matter. World trade, world connections, world problems, and hence world difficulties appear definitely included in what the future holds for us.

It must not be supposed from all this that the vision or foresight, or whatever we call it, demanded by the future, need be impossible, or even particularly difficult for our people. This war and our peace record of accomplishment as well, show beyond doubt that in power of execution this people of ours is supreme. With us difficulties and apparent impossibilities are only things to be overcome. We lack not the power to do, but the power to see.

How stupid, how aimless, how weak we were during the war period preceding our entrance into the war, when we could not or would not see. When we refused to realize that this has been our war—not only from the day that first shot was fired, but from the day when world conquest and world devastation first assumed form in that strange Prussian mind, and how splendid have we been since.

Do you know the story of the Dupont response to the call of the nation for explosives with which to carry on this war? It is a well worth while story. It expressed a power of execution, a patriotic unselfishness which recognized neither difficulty nor profit which was splendid. There was to these people only one thought, and that the thought of service, regardless of everything save that explosives must be produced.

And oil, have you heard *its* story? How in an unbelievably short period of time the formerly warring factions in this great industry came together without reservation, with only one thought—that if *oil* could win the war, then the war would be won. And, remember too, that no power on earth outside themselves could have brought these elements together as they came together. There have been few finer win-the-war object lessons than that which was given in Chicago a short time ago, when the leaders of the Standard and of Independent interests spoke from the same platform; spoke of oil in the war, not Standard or Independent oil, but just oil—American oil, the oil under their control, the oil which was needed in winning the war.

And the good intentions expressed in that meeting were not allowed to stop there. To-day these same leaders of the oil industry are in Washington doing what they can toward rendering most potent in the war, this industry they represent, and thus proving by their

actions, that when they spoke in Chicago, they meant what they said.

And there is a *steel* war story too; a big story, too big indeed to be told in these pages, and in it the true greatness of the American business man shows so clearly that for all time it should shame into silence the demagogue who would build a popularity upon his ability to array class against class, and to appeal to the *prejudices* of men rather than to the good that is in them. (Applause.)

And there is a chemical story too, which is interesting and finance has contributed its full share to this demonstration of the bigness of the American business man and his fitness for even bigger things. The part bankers have played in making successful the three great Liberty Loans which have been borne by our people speaks most eloquently upon this point.

Another inspiring story too, will be written some day, the story of the part played in this war by the meat-packing industries of the country and particularly those situated in this great city of Chicago. These industries by their high efficiency, by the intelligent utilization of every last detail of value to be found in their product and by reducing their percentage of profits to the lowest minimum, not only have fed armies and populations in war-stricken Europe, but also have aided most importantly in keeping down our own cost of living.

For the last few years preceding the war, an interest in foreign trade had been developing among our people. Certain concerns with more vision than their fellows and perhaps more fortunately situated had gone into this field extensively and with success, but as a nation we were indifferent to the attractions and advantages which trading in foreign fields presented to us. Our sources of securing information upon foreign conditions were insufficient and our means of using this information to advantage were almost non-existent.

Recently from the vision of an American business man, now director of the Foreign Exchange Department of the Federal Reserve Board, came a plan for keeping track of and regulating foreign exchange movements—which plan experts from France and England as well as those in America pronounce to be the most remarkable thing of the kind ever produced.

Through this plan this department, working in close cooperation with other departments and with American banks engaged in foreign trade and foreign exchange, so operates as to provide complete information almost daily upon the currents of world trade and upon the movements of world exchange.

And here is the thought around which the effort of this address is built. If these men, and after all they only represent types of American business men, are strong enough and big enough and patriotic enough to do these things *voluntarily* and outside the normal demands of their occupations, are not these types strong enough also and big enough and safe enough to exercise a dominant influence in the operations of Government itself? (Applause.)

Should not the power and vision and devotion they represent be made more fully available for the direct purposes of the nation in government? Should they be called for national duty, or be allowed to participate in national service *only* when the life of the nation is in danger?

Should the vast national value they represent be theirs *only*

for the purpose of creating and directing and managing properties for stockholders—and should the power of regulation and discipline over it all be left to *other* types of men who possess but a small part of the business vision and business power of execution so conspicuously shown by these proven executives?

It is unfortunate that in a great democracy like ours, so sharp a line should be drawn between the functions of private business and those of government. Steel and copper and oil and lumber and the rest are able to speak and deal with each other and among themselves intelligently, efficiently, with vision—and as we have seen can respond magnificently to the call to *bigger* things. But when they wish to speak to the country or to the world, when they wish to discuss even the simplest law which may affect their interests—and through them the national interest too—they must act through a medium which possesses only a most *imperfect* knowledge of business and of its multifarious problems. (Applause.)

There is no intention of this address to criticise a government which needs and is entitled to every particle of assistance and support of which the people of the country are capable, but we are living not only in stirring times, but in rapidly changing times as well. Many of the institutions of yesterday are difficult to recognize in the activities of to-day and to-morrow perhaps may be entirely replaced by other institutions growing out of new needs which bear no slightest resemblance to the needs of the past. And we speak of government as an institution, not of any particular administration.

In the atmosphere of government, as for years we have known it in this country, there appears to be some quality which makes nearly impossible a proper relationship between its atmosphere and the other atmospheres which surround it. There appears to be in this atmosphere of government some strange poison which in its milder effect—even upon the sound business man who goes into government—is to cause him to view himself and his function with a seriousness not in the least justified by facts.

In a more serious form, it causes him to imagine that his is a heaven-sent function and that his chief duty on earth is to *discipline* some one or to *check* something; to interfere with some one's plans, to throw the proverbial monkey-wrench into some one's machinery. In other words, he is disposed to exercise a function in which the *destructive* predominates and in which is to be found but little which may be of actual use in building up things.

In the third stage and unfortunately this stage is not necessarily fatal, he becomes the great protector of the down-trodden, the enemy of oppression; and Wall Street, money-domination, etc., assume deadly form in his mind. At this stage he usually becomes famous in his home-town as an orator.

But say those in government—the business man *himself* is to blame for all this. Certainly he is. If, call him Public Opinion or National Business Sentiment or whatever you will, he demands a different sort of business atmosphere in government, he will get it. If he saw fit to make the effort required in improving this situation, results would follow beyond doubt.

Government is as it is, and will remain in that state until some impulse not from within, but from without, provides for it a new

tone. The business man who, when absorbed by government service, loses his effective business atmosphere does so only because he finds himself in another atmosphere not attuned to the idea of business; he finds himself in company which would not understand him if he spoke the language of business. He is in the hopeless minority and while in that position cannot expect to impress his ideas or his atmosphere upon the ideas or atmosphere of the majority.

And what about the future? Washington, which sets the pace in government atmospheres, just now more nearly resembles a great business establishment than it does a center of government. Now it is filled with real business men and business points of view because official Washington is beginning to realize that if this war is to be won, the services of these business men in government and the employment of these business points of view are indispensable.

But how will it be after the war? How will the Washington of that period look? Will the average business man then be able to find an occasional government official who can speak the same language he speaks and who will possess the possibility of a sympathetic understanding of his business problems and difficulties?

Or, will it lose this war business characteristic and go back again to the picturesque unpractical non-business Washington of pre-war memory? The answer to this question and the solution of the problem it suggests both rest with the American business man, with men such as are included in this audience.

And from what source may we expect the impulse which will give to government that quality of business efficiency the war has so clearly demonstrated to be necessary? Either one of two principal sources may be utilized. Possibly both. One unofficial action upon the part of business expressed through organizations which have been formed within business, which will force government to recognize more fully than in the past the *rights of business* in the services of government. The other, a more extensive official participation by business men in the operations of government secured through actual personal service.

Since the beginning of the war substantial progress has been made towards an improvement in the business methods employed by government. It may be due to the fact that war has strengthened the vision of those in power, or that war has brought to government business problems and business needs in such a way as to make the governmental machine temporarily more one of business than anything else.

But whatever the cause, the result has had most important bearing upon our success in war and is gratifying because of the possibilities it suggests for the future; at last our war industries are really moving along—not, it is true, on a 24-hour-day basis as in England and France, but at least at a rate which makes former progress appear like retrogression.

At last our ship-building forces are being led and driven and inspired by one of the great human dynamos of modern times. At last the tremendous task of building a fleet of airships with which to crush the Hun is under the direction of an American who has fully demonstrated his power to do things.

At last the greatest purchasing expert of modern times has

been given a position of more or less authority which it is hoped will give his countryman the benefit of the rare skill which in the earlier days of the war actually saved our allies from the destruction which would have resulted from the lack of munitions.

And the other conspicuous giants in our great national activities, steel and oil and commerce and finance, are being moved up gradually, nearer and nearer to the point at which they can be most helpful to the nation—the point at which they rightfully belong.

There are among the more impatient of our countrymen, those who ask, "Why need this have been *at last*, why could it not have been at first; why need we have trifled with the uncertainties and dangers of mediocrity, when the stamp of superiority and excellence was so conspicuously in sight upon our leaders in industry?"

We can do wonders, we Americans, when inspired; and we seem to need no particular inspiration beyond that provided by necessity, but these impatient ones ask, "Why demand inspiration for what should be suggested by the dictates of common sense, aided perhaps by a grain of foresight? Why await necessity, serious, deadly, perhaps fatal necessity until we meet it on the road, until it slaps us on the face; until we are forced to encounter it at a disadvantage?"

When called upon for effort our national power of response is wonderful. Sims' jackies and Harbord's marines and Schwab's huskies and all the rest of our people who have encountered real war necessities and who have recognized them as such have shown and are showing what our people can do when the call is sounded.

But why await a call, why not do as we do in business, in politics, in even the simplest of our contests, anticipate it; meet it on the way; get there first and secure for ourselves and our contention the advantage which always goes with the first blow.

What has become of our national quickness of perception; our Yankee ability to beat the other fellow to the guess? Is it not just possible that we are allowing Fritz a bit too much practice in springing surprises upon us? Is there not a danger that in this way we may give him the mistaken idea that he always is to represent the problem and we the answer?

It is not easy to find in our country or even in the world men like Herbert Hoover, a man who because of character and efficiency and devotion is acknowledged by the people of two continents as the one man big enough for the task of controlling the food supply of the greater portion of the earth, (Applause) but it is entirely practicable to give the American business man a chance to utilize in the national interest the value he so clearly has demonstrated in his private operations.

Oh, we are going to hold them on the western front all right and on all the other fronts. Don't worry about that, and a bit later when our answer to the U-boat puzzle has become more emphatic and when our ships will have bridged the Atlantic, so that a few million more of our boys have gone across, we'll do some attacking of our own and while our fellows may not find it entirely practicable to re-outfit themselves in Berlin before coming home, they at least will teach the Kaiser and his misguided hordes that as *dangerous* things—*Americans* are to be included in the same general class with buzz saws, live wires and high explosives. (Applause.)

Another serious evidence of the lack of proper vision in the relation of Government to business is shown in the history of American railroads. If five or ten years ago we had been able to visualize the important part which railroads must play in times of peace as well as in those of war in the upbuilding of world power. Is it imaginable that these facilities would have been allowed to fall into the condition in which Secretary McAdoo found them when as a war measure it became necessary that they be taken over?

Is it possible that under such conditions one Interstate Commerce Commission after another, by their rulings extending through a period of years, would have interfered with the business management of railroads to such an extent as they have succeeded in doing?

It is not necessary to assume that this particular war could have been predicted, but how absurd to expect at any time that it will be possible for a nation to continue placidly and for all time upon an entirely peaceful basis. Would not ordinary business sense suggest that at any time, peaceful or otherwise, there be provided a margin of safety, not wide enough perhaps to include a world calamity like this war, but at least wide enough to include the perfectly natural disturbances which must logically be expected?

But our case regarding railroads has been worse than this even. During recent years railroad construction and improvement have not kept pace even with the development of commodities to be moved, which development increasing in volume from year to year might with reasonable vision have been taken as the normal and to be expected thing.

Is it imaginable that the freight congestion with which we in New York are so familiar and which has so impeded the progress of business in all parts of the country and even the progress of the war would have existed if during recent years the facilities concerned had been allowed to operate and develop under normal business conditions?

Government, expressed either in commissions or otherwise, appears to have been so zealous in protecting the public from what they considered exorbitant rates, as to deprive the railroads and related facilities of the income absolutely necessary in making the business showing which would attract investment. As a result, the funds required in making necessary extensions and in keeping equipment in proper condition and in meeting a vastly increased cost in labor and materials has not been forthcoming, and the very interests which were so zealously protected by the Government in its system of regulation, the *business interests* of the country, have been the heaviest losers and the greatest sufferers.

But a rate of increase has been ordered by the Director General of Railroads, a good substantial increase of 25%, or thereabouts. This increase is necessary, of course. Nobody questions the necessity of it. The war must be won, and in order to do our part in its winning transportation facilities must be maintained at a properly high condition of efficiency. Of course, war is a merciless taskmaster and an extravagant spender, but is it imaginable that this 25% rate increase would have been required if the war had found these railroads operating within even 25% of the efficiency required by the proper purposes of peace?

The *labor* situation is another in which we have not succeeded in applying vision. This vision exercised even a few years ago would have made impossible the dead wall of antagonism and indifference which has been allowed to grow up between labor and employers of labor, and which is making difficult proper getting together of these two elements, even for so serious a purpose as helping to save the life of the nation.

The daily papers are filled with strikes called, or strikes threatened, or strikes narrowly averted and all either because employers lack the vision required in doing justice to the interests of those they employ, or else because labor and its leaders lack the vision which would enable them to realize the obvious fact that their interests and the interests of the nation are inseparably connected with and dependent upon the successful operation of the very industries threatened by their action.

Numerous other illustrations of a lack of vision in government's attitude toward business are to be found. Years ago business men discovered that coal and water-power could be transformed into electrical energy at the mines, or at the waterfalls or rapids, and that this energy transmitted by high tension wires could be carried hundreds of miles across the country and be made to light cities and run street-cars and factories, and perform other important functions which depend upon the possession of power.

And still, *to-day*, railroads which are not equal even to the task of carrying the things demanded by war, are forced to devote a large part of their efforts and their facilities to the work of carrying fuel great distances to feed the furnaces which provide the power, which, under proper vision, could so easily and so economically have been carried by wires.

To-day we read in the papers that the estimated shortage of coal for the coming year will exceed 50,000,000 tons and still in *spite* of this fact and the disagreeable consequences which it suggests we are not even discussing this improvement in the transmission of power which years ago suggested itself to the practical mind of the business man.

But you ask, why has not this practical business man taken advantage of this situation? Why has he not made the improvement himself and without any reference to governmental attitude? As a matter of fact, he has gone as far in this direction as he has been allowed to do. Ask him, if you will, to tell you the story of his efforts to interest government in this idea, to induce government to aid in water-power development, even to keep hands off sufficiently to enable him to carry the plan out on a business basis as he is in the habit of doing with not less difficult plans towards which he enjoys greater freedom of action.

And public utilities generally, street-cars, street-car lines and lighting systems and the rest of them, are they not suffering like the railroads from the effect of a lack of vision on the part of government and of governing or regulating bodies? Have they not been obliged to fight for their very existence against this whim of government to discipline some one, or to protect some one, regardless of the business consequences which may follow?

And how about the future? Are we applying proper vision to

that feature of our case? We will win the war, of course; we must, but what then? Shall we be strong, virile, prepared, equipped with a world point of view and knowledge of world conditions? How shall we stand with the nations of the world, with our allies, who then will be our competitors, with the nations now neutral in the war? To what extent may we count upon them in any plan of cooperation we may then suggest, and if they will not cooperate with us in such plans, what are we doing to develop institutions which will protect our world interests regardless of what attitude may be assumed by any of these nations, friends or foes?

Down in Washington we are told that practically nothing is being done to prepare for the future of this world-trade of ours. One government official says that we are too busy with war to think of future trade now. Another in the same department states that we need not worry about the future of our world-trade, that we shall be able to hold it in any event. But in any event and however right or wrong these officials may be, and whatever the intention of better informed and broader gauged officials, the fact is that as regards the future of American trade but slight effort is being made by the government at the present time.

And what is our part in it all? What can we business men do to develop the vision which will insure a quicker winning of the war and a safer future; at least we can do this this, we can make the American business man realize that this is his war as well as it is the war of our soldiers. We can make him realize that in a sense we, as well as the soldiers, are in trenches, fighting for the country's cause. We can direct his attention to the fact that unless through him it will be impossible to provide government with that business vision so badly needed.

We are told that in this country during the course of each year more than 5,000 conventions of American business men are held for the discussion of business problems, and at present for the discussion also of problems involved in the relation of business to the government and the war.

Is it possible that there is any message which business might wish to carry to the government which cannot effectively be carried through the instrumentality of these organizations? Is it imaginable that there is any class of representation in government to which business is entitled which cannot be secured through the efforts of these organizations? Is it reasonable to believe that there is any proper influence which business might wish to bring to bear upon government which cannot be exercised by the aid, by the *united action* of these organizations?

Are these thoughts practicable ones? In the countries of Europe for years they have been considered so—in the Scandinavian countries, in Holland, in Belgium, in Switzerland, in France, and even in other European countries in which the spirit and institutions of democracy are *not* so highly developed governments have found it not only possible, but desirable and even necessary to endow the sort of organizations under discussion with powers which, in this democratic country of ours, are confined entirely to the functions of government.

It is not in the least necessary that business should be obliged

to approach government, hat in hand, as it has learned to do in our past. It should *not* be obliged to plead for a participation which it is in a position to demand. This war, if it teaches any new lessons, will teach the great lesson of the importance of business in national life, and of the business point of view and business efficiency in the activities of government. Why should we not *recognize* this fact *now* and lay our plans accordingly so that at the end of the war, whenever it may be, progress will have been made towards this new relation which must be established if the interests of the nation are to be preserved?

Government, too, should be interested in promoting the development of the business atmosphere in the activities of government. Why should not business specialists be called in by government in times of peace as in those of war—when great business problems arise in government? Why should these problems not be referred to committees of business specialists such as are to be found in the business institutions of the country?

Under such conditions would we not have better government, better laws, less fault-finding after laws have been enacted and would not the best interests of the whole nation be more fully served?

This, then, would be my message to business generally, but particularly to the business men who constitute this splendid organization of yours, the National Association of Credit Men, that you go home from this convention with a clearer conception of the importance of business to this nation; with a more definite appreciation of the value of business atmosphere in the activities of government, with a more definite determination to demand for business that participation in the functions of government to which it is so fully entitled.

If you do this, you will find yourselves not only better qualified to solve the simpler problems which come to you in the course of the duties incident to the practice of your profession, but—also better qualified to meet the big problems which come to you through the part which you and the splendid organization to which you belong *should* play and can play in promoting the interests of the nation in a time of need: I thank you. (Applause; audience standing.)

**PRESIDENT WHITLOCK**—The report of the Committee on National Bankruptcy Law is next in order and I will recognize P. E. Parrott of St. Joseph its Chairman. (Applause.)

*Mr. President, Ladies and Gentlemen of the Convention:*

The formal report of the committee has been printed and is in your hands. In view of this, I shall not attempt to read the entire report.

### **Report of Committee on Bankruptcy Law**

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

Your Committee on the Bankruptcy Law has nothing remarkable to offer in its report to this convention, but feels grateful that

its efforts and observations have brought to the surface many interesting facts and situations incident to the act and its practice.

Early in the year it was the opinion of your committee that Congress would be so engrossed by necessary war legislation that no opportunity would be afforded to secure amendments to the Bankruptcy Law and this opinion was confirmed by consultation with various members of Congress. As a result, no efforts of an amendatory nature were seriously considered or undertaken, and in this position your committee hopes sincerely to have the approval of the convention.

As in each Congress since the passage of the act in 1898, there were several repeal bills offered in the House of Representatives and several minor amendatory bills, but up to the present time these bills have rested in the Judiciary Committee and no action upon them is anticipated. A careful inquiry elicited the fact that no sentiment prevailed in Congress of a distinctive character concerning the act, and this of itself confirmed the committee in its decision that it were an inopportune period to seek amendments or do more than defend the act against repeal movements.

Opponents of the act are still with us, printed matter and letters advocating the wisdom of repeal have been circulated, but this did not disturb your committee, for on a question so large as the Bankruptcy Act a division of opinion is to be expected and every one is entitled to speak his conviction on the subject, whether or not the conviction is sustained by actual fact; yet your committee believes that the defenses thrown around the act and articles and letters emanating from the National office have tended to decrease the opposition while increasing with credit managers a proper appreciation of what the act has accomplished and can accomplish for constructive credit work.

Your committee regretted to find in some statements of the opposition what appeared to be either a confusion or a distortion of facts, and because of this and to show what condition of mind really existed, the Bankruptcy Law Committee of the Chicago association took a referendum of the Chicago members. Not all members responded, yet a large number did, and the returns showed conclusively a proportion of three to one in support of the act and its perpetuity. There have been evidences also of an increasing interest in the Bankruptcy Act among its administrators. Resulting from an interesting conference in Boston last winter by the New England Referees in Bankruptcy, Hon. James M. Morton, Jr., United States District Judge in Boston, issued an order to the referees in his district requiring trustees to furnish creditors in bankruptcy, without charge, copies of their final reports, and this action has served to eliminate some complaints in Judge Morton's district and to give much satisfaction to creditors. The idea may be worthy of being followed in other districts.

Believing the time was ripe for a conference on the various angles of the Bankruptcy Act—to consider what was tending to diminish its effectiveness, what was necessary to advance its constructive and protective powers—the chairman of your committee called a conference into session at Chicago on February 13. It proved to be a notable occasion. Five subjects were considered

and presented by men well-qualified for their tasks. They were: "The Necessity of the Bankruptcy Act and What It Has Accomplished for Our Domestic Commerce," presented by W. A. Masters of St. Joseph, Mo.; "What the Law Has Failed to Accomplish, Reasons and Remedies," presented by W. J. Burton of St. Louis, Mo.; "The Obligations of Creditors to the Law," presented by Harry L. Eison of Milwaukee, Wis.; "The Obligations of Referees



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"in Bankruptcy to the Law," presented by Hon. Sidney C. Eastman, Referee in Bankruptcy, Chicago; "The Lawyer's Responsibility to the Law," presented by W. J. Griffin, attorney, Detroit, Mich.; "Desirable Amendments to the Law," presented by S. E. Wagner of Chicago.

The conclusions of this conference upon the various subjects, ideas and suggestions offered will, in reality, constitute the basis of this report and reflect the majority opinion of your committee in

a more definite and convincing way than if an attempt had been made to prepare them without the aid of such a conference.

Under the subject, "The Necessity of the Bankruptcy Law and and What It Has Accomplished for Our Domestic Commerce," the following minutes resulted:

Our domestic commerce has developed concurrently with the Bankruptcy Act, indicating a relation between them. Without the act the present extensiveness of our domestic commerce could not have been reached nor could it be preserved.

The Bankruptcy Act is a basically sound but human-made law; therefore, like all man-made laws, is not self-operating and needs to be reformed from time to time, so that changes and developments in our commercial and credit affairs can be adequately made. Though unable to speak with absolute authority upon the question whether or not the Bankruptcy Act, when enacted in 1898, was intended for merely temporary purposes, yet the rapid development of our commerce and a proper appreciation of its requirements for the future lead to the conclusion, firmly held, that irrespective of original intentions, there should be in this nation a permanent bankruptcy law.

Reviewing carefully the statistics of commercial failures so far as they have been available, and the causes, the statement must be disputed that the Bankruptcy Act has encouraged commercial fraud, for since the passage of the law in 1898 there has been in proportion to business done and credits extended, a decrease of bad-debt losses and within recent years a very obvious decrease in those bad-debt losses that could be laid directly at the doors of the commercially fraudulent.

Under the subject, "What the Law Has Failed to Accomplish, Reasons and Remedies," the following minutes were adopted:

The difficulty of amending the act when such a course is recommended by those who are directly interested in its administration and application, for the reason, perhaps, that Congress has not always a complete appreciation of credit requirements, explains why the law has not always accomplished its best possibilities.

Creditors have not exerted themselves sufficiently to give the act its most protective and best possible administration, and for this reason it has at times failed to reach its best possibilities.

The United States judges entrusted with this administration and referees in bankruptcy are not always commercially trained and because the law is a strictly commercial instrument requiring such an interpretation and application for a fair and unbiased treatment of debtors and creditors alike, the law has failed at times because of the absence of this commercial training on the part of administrators.

Remedies for the removing and rectification of the stated facts are not difficult to supply and will be largely presented in the following minutes of the conference, and not one of them would outweigh the need of the act for the stability and character of our credit system.

Under the subject, "The Obligations of Creditors to the Law," the following minutes were adopted:

It is an obligation which credit grantors cannot evade to know the law and inform themselves definitely of its provisions wherein they are directly concerned—obligations imposed upon them and possibilities and privileges granted. Too small a proportion of credit grantors know the law as it should be known and use it as it should be used.

When creditors are advised of bankruptcies their very first step should be to consider the case—what facts and information induced them to grant the credit, then to work out a proper and systematic course of action consistent with this review.

Creditors should not under any circumstances, without careful thought or a review of the case, hand their claims in a bankruptcy case to an individual or agency soliciting it, for in so doing, taking action without digesting all the facts of the case may work eventually an injury to themselves and other creditors, for the soliciting medium may use the claim for selfish purposes, trading with it or otherwise losing sight of the creditors' interest. Under no condition should creditors hand claims in bankruptcy to soliciting media where offers are made to represent them without a charge; for, on careful reflection, we should appreciate that the reason for the offer is not explained and in yielding these creditors might lend their support to some plan or procedure that would imperil the interests of all concerned.

Filing claims direct with referees in bankruptcy and looking to the referees to represent creditors in the case, arranging for no other representation or looking after the claims themselves is a vital mistake committed too frequently by creditors, for they should understand that under the provisions of the law, referees cannot represent creditors; they can act only in a judicial capacity, and such direct filing eliminates creditors and sacrifices the possibilities and privileges they should enjoy under the law for the protection of themselves and other creditors.

When the extent of the claim justifies the action, creditors should always represent themselves or be represented by some one in whom they have absolute confidence and by whom their interests and ideas will be protected.

In instances where the claims of creditors would not justify the personal or direct representation it is advisable that they ascertain where the larger interests in the case are located and cooperate with such interests when satisfied that they will be exerted for the protection of every one without prejudice. It ought not to be difficult in any bankruptcy case for a creditor to discover where the large interests are located and observe this cooperative principle.

Cooperation must be unquestionably the controlling spirit among creditors in bankruptcy cases. Privileges granted them by the law should not be neglected. The interrogation of the bankrupt in the referee's court; considering allowances and compensations to attorneys and others by the referees; to assist in the selection of a trustee qualified and sufficiently diligent to oppose the final discharge of the bankrupt if circumstances justified and would support such an action, are some of the privileges the neglect of which lay the creditors open to charge of lack of diligence and appreciation of the law.

Under the subject, "The Referee's Obligation to the Bankruptcy Law," the following minutes were adopted:

The referee in bankruptcy plays so important a part in the administration of the law and its faithful and diligent application so rests with him that the duty of making the right appointments is an important responsibility of the United States judges, with whom rest the appointing power and they should select men of commercial experience and inclination and unquestioned integrity, who will hold the office above personal emoluments and administer it fairly without respect to personal and friendly impulses.

To welcome ideas and suggestions from credit men organized as they are in the National Association of Credit Men who hold such a direct interest in a proper administration of the law, is really an obligation upon referees in bankruptcy. Such attitude should result in the bringing out of constructive ideas and in cooperation that would tend to bring out great possibilities in bankruptcy law administration and to a coordination of the referees' court and credit departments.

The United States Judges could, in a similar spirit, and we believe they will if properly approached, receive and consider in conference with credit men and those who have constructive suggestions to offer, ideas and recommendations looking toward a more effective administration of the law. This is a line of approach and a source of improvement that should not be neglected.

The recommendations of the Attorney-General of the United States that it were advisable to change referees in bankruptcy from a fee basis to the basis of a stipulated salary per annum—received the careful consideration of the conference but no definite conclusion was reached. The belief prevailed that no plan of compensation should be considered or adopted that would depreciate the standard of referees and make it difficult to secure the type of man for this position who possessed the proper abilities and qualifications for the honest and reasonably efficient administration of the referee's office. Should the idea of a salary compensation prevail, it was also deemed advisable that it be sufficient in amount to obtain properly qualified men for the referee's position. These general views are submitted with great respect and in full deference to the ideas and recommendations of the Attorney-General of the United States.

Under the subject, "The Lawyer's Responsibility in the Bankruptcy Law," the following minutes were adopted:

The position of a lawyer in bankruptcy law practice is well defined and the manner in which his obligations are discharged will have an important and direct bearing upon the administration of the law.

The attitude and actions of a lawyer in bankruptcy practice should conform to the ethics of his profession, and those who are inclined to seek personal favors, promote unfair combinations and identify themselves with what is known as cliques, are injuring the law and should be shunned.

The importance of the law and its value to the stability of commercial credits requires the employment of the highest type of

lawyer in bankruptcy practice, and men of this type should be encouraged to enter the bankruptcy practice.

Under the subject, "Desirable Amendments to the Bankruptcy Law," the following minutes were adopted:

An indictment should be allowed for an offense arising under the penal provisions of the act within three years after its commission, except where the offender is absent from the jurisdiction, in which case the time of such absence should not be counted as a part of the period of limitation. There is very great need for this amendment to the law.

Powers of referees in bankruptcy should be so enlarged that when bankrupts or witnesses have violated penal provisions of the law according to their judgment, they can be put forthwith under bonds and held for the action of the Federal Grand Jury.

When a referee in bankruptcy or a bankruptcy judge has required the bankrupt by order to turn over to the trustee property which he had at the time of the filing of the petition in bankruptcy, on a hearing to commit the bankrupt for contempt of court because he has failed to comply with the order, it should not be a sufficient defense that he was unable to do so for the reason that he did not have sufficient property at the time that the order was presented.

Bankrupts should be required to show that they have come into court with clean hands, giving, when required, proper and sufficient accounting of assets; and be refused a discharge when this cannot be done and when books of account were not kept unless the failure to do so and the loss of the books is shown to be without any complicity or intent upon the part of the bankrupt.

Debtors should not be allowed the privilege of voluntary bankruptcy when owing less than \$500. This amendment of the law should remove from its operation many of the individual debtors who relieve themselves of personal obligations which were contracted for personal and not commercial purposes.

Though the conference did not express itself conclusively on the subject, it was considered desirable to have some thought directed upon the advisability of seeking an amendment to the law that would empower bankruptcy judges to discharge debtors upon condition and in cases where the circumstances of the debtors would justify conditional and not an immediate and complete discharge.

Considering carefully and with due deference the recommendations of the Attorney-General of the United States contained in his last report to Congress that the Bankruptcy Law be amended so that trustees in bankruptcy might be permanent officials and not elected by creditors as at present provided in the law, it was the unanimous sense of the conference that while creditors frequently neglect their rights, yet this is one of the democratic features of the law offering possibilities for service and protection, and recalling the history of the former bankruptcy law, it was not deemed advisable to change the form of the trustees' appointments, but a better expedient to urge upon creditors the need of exercising their rights and to take a direct interest in the selection of properly qualified, diligent and honest liquidators of estates in bankruptcy.

While the several units of the committee might not with unanimity endorse these minutes in their entirety, yet the spirit of the

conference and what generally was accomplished through it is most cordially approved by all and can be passed on as a heritage to the incoming Committee on the Bankruptcy Law. During the course of the year, as usually happens, numerous letters were received by the chairman of the committee from members of the Association and local committees concerning the application of the act in certain cases and it has been a great pleasure for your chairman to give to these communications his earnest consideration.

Gathering together the results of the year as they were brought out by observation, correspondence and the Chicago conference, we wish to emphasize several distinctive features for this convention which should govern the Association in its future defensive and constructive work for the Bankruptcy Law:

(1) That the law should not be unsettled by amendatory efforts when the time is not ripe for such action, but with a firm confidence in the value and necessity of the law, we should strive to improve its administration by arousing in creditors the realization of their obligations, and in administrators a consciousness of what is expected of them in an economic and prompt application of the law for the protection alike of creditor and debtor.

(2) That continuing attention should be devoted to amendments needed for the adaptation of the law to new situations in the credit field, to the repairing of any weaknesses because of judicial interpretation, to the defeat of non-ethical professional service, to the reproof of negligence and the punishment of dishonesty whenever discovered in the bankrupt, his attorney or the creditors.

(3) Preparing for the amendatory effort by having developed through a careful survey and with sufficient skill the changes and improvements that will bring the law into thorough accord with existing credit conditions and then a drive made upon Congress for the legislation.

(4) Through the printed matter of the National Association, in conferences of credit men, through correspondence and other media information should be communicated about the Bankruptcy Act where its vital and protective features are not understood or appreciated; for, unquestionably, in the opinion of your committee, prejudices exist because of the failure to appreciate what the law has accomplished and can accomplish. By an educational work opponents may be changed and the disaffected satisfied. To have credit men understand the law is one of its principal defenses.

Your committee desires to give brief expression of its appreciation for what the former Bankruptcy Law Committee accomplished through intensive studies of the law and its administration and desires it to be understood by this convention that the amendments recommended in this report, of a general character, are not intended to supplant, but merely supplement the amendments recommended in the reports offered at the Pittsburgh and Kansas City conventions.

The following are offered for the convention's consideration:

I

*Resolved*, that the National Association of Credit Men, in convention assembled, reaffirms the action of former conventions in expressing a complete faith and confidence in the necessity of the Bankruptcy Act in maintaining the stability of our commerce and preserving our credit system.

II

*Resolved*, that this convention believes firmly that the Bankruptcy Act is basically sound, but to meet changing conditions in the credit field and new currents and tendencies in business, amendments are needed from time to time, and facilities should be granted by Congress for presenting the well-digested views of the business interests of the country on this subject and when, after a very thorough study it is felt necessary for improving the law.

III

*Resolved*, that the National Association of Credit Men, in convention assembled, with due regard to the opinions of others, records its belief that as a direct result of the existence of the Bankruptcy Law, the bad-debt waste of the country has been reduced; that commercial fraud has been discouraged, and the commercial expansion of the country promoted.

IV

*Resolved*, that this convention appreciates an increasing understanding of the law's possibilities, the cooperative principles that have been encouraged and developed among the administrators of the law and credit men, and recommends most heartily that in the printed matter of the National and local associations, in conferences and in correspondence there be pointed out constantly features of the law which concern administrators and creditors, that there may be built up through this educative process an adequate appreciation of what the law can accomplish and how it should be used.

Respectfully submitted,

P. E. PARROTT, Chairman, St. Joseph, Mo.  
E. D. PLUMMER, St. Joseph, Mo.  
W. A. MASTERS, St. Joseph, Mo.

VICE-CHAIRMEN

HORACE M. PECK, Providence, R. I.  
GEORGE MASTERS, Philadelphia, Pa.  
JACOB GAZAN, Savannah, Ga.  
E. A. STOCKER, Youngstown, Ohio.  
O. A. MONTGOMERY, Detroit, Mich.  
L. LICHTENSTEIN, New Orleans, La.  
C. E. MANN, Minneapolis, Minn.  
S. J. GRIFFIN, Ogden, Utah.  
I. S. METZLER, Los Angeles, Cal.

MR. PARROTT—Your committee received as a legacy from last year and from previous committees certain recommendations in reference to seeking amendments to the national bankruptcy act. In view of this fact, your committee gave first attention to his matter at the opening of the year but quickly ascertained that Congress would be so fully occupied with war legislation that it would be impossible to secure any amendments this year. Thereupon, your committee directed its efforts to an endeavor to ascertain a little more fully the sentiment of the membership of the Association toward the bankruptcy act.

As you all know, there had been more or less opposition to the law, but the investigation that was conducted through the sub-committees scattered widely through the nation, revealed the fact that the great body of members of this Association stood squarely behind the bankruptcy act. In addition to this, an investigation was conducted by the Chicago association which developed the fact that 75 per cent. of those answering were squarely in favor of the principles of national bankruptcy legislation as substantially embodied in the present act.

Thereupon, arrangements were made to hold a conference in this city and in February last that conference was held. The report before you is largely devoted to the conclusions of this conference. In addition to this, there are a few remarks bearing upon the general question that I desire to make.

A perusal of the reports of previous committees reveals the fact that their problems were very largely the problems that confront the committee this year. Those problems concern these attitudes: First, an outspoken opposition to the act; second, the need of certain amendments; and third, more or less dissatisfaction, not in reference to the principles involved in the bankruptcy act, but in the operation of that act.

I have already referred to the general attitude of our membership in reference to the principles underlying the act and I think the investigation conducted sufficiently reveals the attitude of the Association as a whole towards this important measure. When it comes to a consideration of amendments, a number of amendments have been suggested and have had consideration. We attempt to cover this in part in our report, but in reference to some of the amendments suggested there is such a wide difference of view that your committee did not feel it wise to express any recommendation here.

Some of the amendments suggested need further consideration and more mature thought, in the opinion of your committee, before a definite expression should be given. The correspondence that comes to the committee throughout the year reveals certain things that perhaps should not pass unnoticed, particularly in reference to the complaints that are made in reference to the operation of the act. I think that perhaps criticisms or elements of dissatisfaction arise more than all else combined over two things—one, the evidence of fraud in bankruptcy cases and the other, the expense of operating or of conducting bankruptcy cases.

The criticisms that reached the committee are rather surprising. To read some of them one would think that fraud in insol-

vency cases was unknown before bankruptcy acts were passed, evidently the fact being overlooked that fraud is one of the things that has always been with us and one of the things that was most pronounced prior to the passing of the national bankruptcy act. I suppose commercial fraud always will be with us and always will be one of the most difficult things to overcome.

The evidence of fraud is most difficult to procure and the charge of fraud is one of the most difficult things to support and we must squarely face the fact that this is one of the things that we must handle as we can from time to time. It is always going to present a difficult problem.

Again, I think we need to emphasize certain elementary and fundamental facts that seem to be overlooked in some of the discussions that come to the committee. Some of this correspondence would seem to indicate that we had a right to expect 100 per cent. from bankruptcy cases, when one of the most elemental facts is that bankruptcy concerns itself only with the cases of insolvency; furthermore, that bankruptcy cases as a rule are the most difficult and the most involved of insolvency cases to reach.

The natural result is that the returns in bankruptcy cases is not as favorable as it would be in failures otherwise handled. In the next place, I think we need always to bear in mind, we need to emphasize that bankruptcy is the only uniform, nation-wide method of adjudicating insolvent estates and the only alternative to the bankruptcy measure in advancing insolvent estates is to resort to the old state insolvency system and any one who has had experience with that old method would not for a moment be willing to go back to the old state insolvency system.

Then, I think another fundamental fact we need always to bear in mind is this, that the ability to resort to bankruptcy cases, the final appeal to bankruptcy courts, forces into equitable assignments innumerable cases that but for the protection of the bankruptcy acts would be settled in many other ways less beneficial to credit.

I think also we need to bear in mind that the bankruptcy method always insures the pro rata distribution of such assets as there may be. Another thing I think we always need to bear in mind is that if there is fraud in cases of insolvency, the very best place to try the charge of fraud out is the federal court. If the crook has a respect for any jurisdiction, it is that of the federal court and the fact that we have appeal to that tribunal I believe is the greatest source of protection that credit grantors can have.

One other thing I think is worth noticing, one of the incidental features, perhaps, yet of great importance to us—that is, that the records necessitated by the income and excess profit taxes is going to lay the basis for a system of accounting that will be a tremendous protection to all credit grantors.

I am simply calling attention to some of these elemental facts in connection with the report which is before you. I wish to move the adoption of the resolutions contained in the report. (Applause.)

Secretary Tregoe read resolutions, which were adopted one by one separately. The report as a whole was then adopted.

Mr. Hamburger announced that he had certain further amendments recommended by the Detroit association which he desired should be considered by the incoming committee. By action of the convention they were so referred.

HOWARD MARSHALL, New York—While we are on this subject I should like to ask whether in the usual course of business these resolutions and the action of this convention will come to the notice of the committees of Congress that have to do with this bankruptcy matter, the judiciary committee in each case.

SECRETARY TREGOE—Answering Mr. Marshall, I would say it was the intention to put the report in such form as to be available for distribution not only among the members of the judiciary committee of the House and also of the Senate, but that it might be used as part of the Association's literature during the coming year. We think it is a splendid report and would like to have it very generally read.

Adjournment.

### Second Day, Wednesday, June 19, 1918

The convention was called to order at 9:30 o'clock for the sessions of the second day in the convention hall of the Hotel La Salle by President Whitlock.

The invocation was pronounced by the Rev. Dr. J. S. Ladd Thomas, pastor of the Austin Methodist Episcopal Church.

SECRETARY TREGOE—The Committee on Resolutions is offering suggestions that make a departure from our ordinary course and because of the importance of the resolutions to be offered and considered the committee will introduce resolutions at various sessions instead of waiting until the closing session for the presentation of all of them. We may anticipate, therefore, hearing from that committee during the various sessions and the committee meets every morning at 9 o'clock in order that those who wish to consult with them may do so at that time.

PRESIDENT WHITLOCK—The first report this morning is that of the Committee on Credit Cooperation, William Tonks of Cleveland, chairman. (Applause.)

*Mr. Chairman, Ladies and Gentlemen of the Convention, Honorable Guests:*

The establishment of credit interchange in all classes of business which has been brought about by this Association since its inception in 1896 is to be considered as one of the marvels in the business world, and the first great movement from chaos and prejudice toward a credit system. This interchange has saved our business men thousands of dollars, made it possible to expose the dishonest or unworthy with the least effort and whether appreciated or not, the results are felt by every credit grantor, which brings us to the conclusion that credit men should jealously guard this system from any attempts to commercialize for profit or from abuses which may threaten its perpetuity.

The causes of practically all complaints made to your committee

during the last year have been (1) the beginner's lack of knowledge of the rules of interchange; (2) the disregard of all rules, generally, by large concerns who ought to know better; (3) the abuse of form inquiries by competent clerks, which is usually occasioned by false economy in credit department; and (4) the lack of understanding between bank and mercantile credit men.

Relative to the attitude of banks in certain localities, we offer it as our opinion that as credit is indispensable in whatever form it is granted, the banker ultimately may be interested. Therefore, it is to his interest to encourage safe and sound credits, and this he cannot do by discouraging legitimate and established methods of acquiring credit information. He may gain postage stamps by charging for his services in answering inquiries, but when he fails to cooperate in exchanging credit information he is not contributing his share toward the abridgment of that bad-debt waste in his community, which it is so greatly to his interest to do.

This attitude appears short-sighted in serious times when all credit grantors should work together, because war is still a stranger to us. Precedents are lacking and legislation is necessarily piling up artificial economic conditions and consequently uncertainties in credits.

In times of peace as well as when war conditions must be met, the experience of the bank credit man has taught him the inestimable value of ledger information or trade opinions in anticipating the many things that may happen between statement periods. Therefore, we argue, the mercantile credit man would be just as much entitled to demand compensation for his services and opinions as is the bank credit man.

The proper attitude for the banker to adopt is to return under the party's own postage stamp every letter of inquiry which does not conform to the rules established by credit men. In fact, we cannot impress it too strongly upon all credit men that it is their duty to return letters which do not follow the cardinal principle of reciprocity. (Applause.) Or, if answered, to call attention to failure to conform to the rules established and verified by this organization at successive conventions.

I am taking it for granted that you have read the report and resolutions which your committee has presented to this convention and which I practically review in the ten minutes allotted to me and we now seek your support of the four resolutions which we believe will lead us from theory to action in the correction of abuses in letters of inquiry.

Mr. Chairman, in order to bring this report and resolution formally before this convention, I move the adoption of the report and resolution.

### Report of Committee on Credit Cooperation

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

Your Committee on Credit Cooperation submitting a report to this convention, must acknowledge that the able work of its

predecessors through the years 1911-1917 inclusive left but little to undertake, and its efforts consequently have been concentrated on but few subjects—one of them the form recommended at the Kansas City convention for asking and receiving credit information of banks.

A review of the activities of the National Association of Credit Men reveals that from its very inception interchange and reciprocity were advocated as cardinal principles. They were its very religion and the almost complete annihilation of competition in credits is one of the marvels of modern business. It was brought forcibly to the attention of your committee that many inquiries were being made by credit departments wherein these principles were abused to the point of threatening the perpetuity of the cooperative plan and a great deal of dissatisfaction was found among many of the banks.

Your committee finds that but a small percentage of country banks are members of the National Association of Credit Men or of the local associations and that these banks are without that appreciation of the value and utility of cooperative interchange that characterizes a large number of mercantile enterprises.

Your committee also ascertained that not one in fifteen inquiries addressed to banks for credit information conformed with the principles recommended by the National Association of Credit Men; inasmuch as a large percentage of country bankers do not command the services of stenographers, their replies must be brief, and to expect them to answer a list of categorical questions and make inquiries of them without observing the simple and essential principles established by the National Association is naturally causing dissatisfaction. The abuse that has attended the interchange privilege in its present highly developed state has led several state banking associations to establish a scale of prices for credit information and some individual bankers to contract with a commercial organization on a profit-sharing basis for the supplying of information as a substitute for the bank to which the inquiry was addressed, which only serves to complicate this condition.

In the opinion of your committee this entire situation can be improved and the evils eliminated by a campaign of education, and it recommends most strongly that the principles governing the interchange of ledger and credit experience be published in the next issue of the Credit Men's Diary in several issues of the National Bulletin and in the bulletins of local associations so that these principles may be known and appreciated by all credit managers and the interchange system defended against these evils and abuses.

Your committee also recommends that a pamphlet on this subject be prepared in which are especially pointed out the value and the principles of interchange and that it be sent to all banks not members of the Association that they may be impressed with the need and value of the system, just as the thought should be driven home to the consciences and convictions of our own members that nothing ranks higher in importance among credit men than a free and reciprocal interchange of credit and ledger experience between credit departments.

The protection of this system is in the hands of all credit men

and your committee recommends to members that whenever they receive inquiries or letters which do not conform to the principles of the National Association of Credit Men governing the interchange of ledger experiences, they be returned to the inquirers with the defects and omissions pointed out. This plan will entail on credit departments a little work and trouble, but it is worth while and should be the consistent rule of action with all credit managers.



WILLIAM TONKS  
First National Bank, Cleveland, Ohio.  
Director and Chairman, Committee on Credit Cooperation.

Until such time as the majority of bankers can be brought to see that their interests hinge upon the encouragement of free interchange of credit information, it is the sincere opinion of your committee that form letters or inquiries should be avoided when information is desired of banks. The best results from inquiries of banks are obtainable, in the opinion of your committee, by dictating intelligent inquiries which specifically state the information that is desired, the reason of the investigation and include such local trade

and bank references as have been supplied by the buyer or the salesman, with the probable amount of the credit and the exact experiences of the inquirer, if there have been any.

The observance of such a plan will bring results, overcome prejudices and produce information that will outweigh what might be expected from mere form letters addressed to banks in a haphazard fashion. Your committee suggests that careful judgment be exercised by the credit department when returning letters or inquiries that do not conform with the principles of the National Association of Credit Men as without the exercise of discretion more harm than benefit might result. Should the inquirer be a member of the National Association of Credit Men or any of its branches, the inquiry should be answered and the attention of the inquirer called to the omission or defect. A second letter from the same inquirer that has not corrected the omission or defect in the first inquiry should be returned, accompanied by a brief note in the form suggested by last year's Committee on Credit Cooperation, which is repeated in this report as Exhibit No. 1.

Should a defective inquiry be received from a non-member of the National Association or any of its branches, it would be answered and accompanied by a note in the form that is set forth in this report as Exhibit No. 3. At the same time the secretary of the nearest located association of credit men should be advised of the inquiry in a brief note that is set forth as Exhibit No. 2.

A careful observance of these suggestions will, in the opinion of your committee, tend to strengthen the interchange system. All credit men can recognize what chaos will result and what waste occur were we to lose this important medium for the safe clearance of credit risks.

In conclusion, your committee begs to offer the following resolutions:

### I

*Resolved*, that this convention recommends that the officers and directors of the National Association of Credit Men at their next annual meeting urge all local associations to organize committees on credit cooperation so that there may be unity of effort between the national and local committees for the development and defense of credit interchange through the observance of the cardinal principles recommended by the Association.

### II

*Resolved*, by the National Association of Credit Men, in convention assembled, that at the first meeting of the officers and directors of the National Association of Credit Men following this convention they authorize and institute an intensive campaign through the publications of the Association and the national and local committees, so that banking and mercantile credit men may be educated to know the rules for interchanging credit information that have been adopted and recommended by the Association, strive earnestly to observe them and to establish cordial, free and reciprocal interchange between these two classes of commercial business.

III

*Resolved*, by the National Association of Credit men that as a feature of the proposed educational campaign mercantile credit men be again urged to use among themselves the standard double inquiry form adopted and recommended for uniform use by the National Association of Credit Men.

IV

*Resolved*, that this convention urge it as a duty on every member of the Association to protect the principle of reciprocity in the interchange of credit and ledger information and to cooperate in a nation-wide campaign to thoroughly establish this principle.

EXHIBIT No. 1

This inquiry is improper in form and does not conform to the rules of reciprocity adopted by the

NATIONAL ASSOCIATION OF CREDIT MEN.

We are therefore returning it herewith for correction and would call your attention to the reasons checked below.

We will gladly answer all inquiries made in the correct form.

1. No stamped return envelope .....
2. Your experience .....
3. Amount of first order .....

Signed .....

EXHIBIT No. 2

SECRETARY, CREDIT MEN'S ASSOCIATION,

(City) .....

(State) .....

We are to-day answering credit inquiry from  
(Firm) .....

(City) .....

and the form of request does not show he is a member of the Association. We give you this information that you may be able to solicit for membership.

(Firm) .....

By .....

(City) .....

(Date) .....

EXHIBIT No. 3

We are glad to furnish you our ledger experience on this party.

We notice your request does not conform to the rules recommended by the National Association of Credit Men, of which we are members.

*Are you a member?* If not, see your local association for particulars as to membership. We believe you will find it beneficial to yourself to be a member and help good credits.

Respectfully submitted,

WILLIAM TONKS, Chairman, Cleveland, Ohio.

JOHN M. KLINGMAN, Cleveland, Ohio.

GEO. C. W. KLIPPEL, Cleveland, Ohio.

## VICE-CHAIRMEN

A. N. WHEELER, Bridgeport, Conn.  
S. H. COLEMAN, Roanoke, Va.  
W. H. GODDARD, Muncie, Ind.  
W. A. GRIMES, Fort Worth, Texas.  
T. M. NESBITT, Birmingham, Ala.  
DONALD REID, Denver, Colo.  
C. H. PLASS, Tacoma, Wash.

Secretary Tregoe read resolutions, which were adopted one following another.

E. F. SHEFFEY, Lynchburg—I expect a good many credit men have had the same experience I have had. Lately I have received a good many communications from an organization which seems to have been formed for the purpose of making money out of answering inquiries that are sent to banks. I want to ask Mr. Tonks if he thinks the organization of a company, a central organization to correlate the information that may be furnished by banks to which banks may refer inquiries that come to them for a fee, is a legitimate proposition?

MR. TONKS—I certainly do not think it legitimate, Mr. Sheffey, and I believe that you will note in my remarks that I said credit men should guard this system from any attempts to commercialize or make profit. (Applause.)

MR. BOYCE, Milwaukee—I would like to ask the speaker just how we are supposed to meet this proposition. I have had the same experience that Mr. Sheffey has had. We will send an inquiry to a bank and the bank will send it on to the concern referred to which I think is located in Chicago. That concern collects all the information. They send us a report and then send us a bill for fifty cents for the report and of course we are supposed to send them our check. If we do not, they proceed to collect. Just how are we supposed to meet that?

MR. TONKS—Inasmuch as I am in the banking business and not in the mercantile business, I believe it would be presumptuous on my part to tell a mercantile credit man how to conduct his business. You have cited a circumstance that I have not had to meet personally, but it is my opinion that it is only the smaller institutions—that is, smaller banks—that are making contracts with such a concern as you describe and I do not know, rather, I should say, that possibly it is not a bank but possibly a toll-gate, and its opinions possibly would not be worth much. (Applause.)

MR. QUIMBY, Toledo—It seems to me with the development of our interchange bureaus at the present time all matters of this kind could be referred directly to them and it would save a lot of needless writing. I find that our interchange bureau covers about everything and will get all information necessary if asked to do so. I think that if banks could be referred to the interchange bureaus they would secure all information necessary and we, as members of the association, would be better off than if we were sent promissory information from all directions.

F. R. HAMBURGER, Detroit—I believe that credit men are suffering to-day from a lack of cooperation to a greater extent than is justified by the general conditions. This report, it seems to me, is one of the most important that can be submitted to this convention. (Applause.) I believe that we need and we must have greater cooperation among commercial credit men throughout the country. We are not receiving it to-day.

I am the manager of the interchange bureau in Detroit and there has, to my surprise, been discovered the absence of even a desire to cooperate with the credit interchange bureaus of the separate cities. That is clearly illustrated when we consider that the membership in the interchange bureaus throughout the country is less than 20 per cent. of the total membership of the National Association.

We have concerns in our city that absolutely refuse to divulge credit information upon mutual customers. Now then, the thing to do, it seems to me, for an organization of this kind, with its power and influence, is to evolve some system that would compel cooperation among commercial houses. We are receiving cooperation from our local banks. We have seven or eight of the banks in our interchange bureau. We have no complaint to make, but I rise to ask simply this question of the chairman of this committee, who is a banker: Does Mr. Tonks consider it sufficient information for a bank to say simply: "This account has been with us a great many years, carries a satisfactory balance and is entirely satisfactory" without giving any figures whatever? I may say that we never submit an inquiry to a bank without giving the actual experience in figures of the inquiring party. (Applause.)

W. M. TONKS, Cleveland—It is important for a clear understanding that the convention remember that banks have cash customers. Would you ask a merchant for information concerning a man who comes in and buys his goods and pays for them over the counter? You would not ask for credit information? He is a cash customer. What credit experience has that man had? There is no credit experience at all.

There are few customers of a bank, particularly of a large institution, comparatively speaking, who borrow. There are few, therefore, who submit statements, although I do admire the business sagacity of a man, whether he is a borrower or not, who, if he is in business and a depositor, follows the principle of coming forward to his bank, submits his statement, thus establishing a line of credit against the time he may require it. (Applause.)

D. L. SAWYER, Milwaukee—I desire to correct an impression that Mr. Hamburger conveys in regard to the number of members in interchange bureaus. He stated that less than 20 per cent. of the total membership are members of the bureaus; the number is in the neighborhood of 30 per cent.

As time for discussion had elapsed, report of committee was adopted.

PRESIDENT WHITLOCK—Those of you who attended the Kansas City convention remember with a great deal of pleasure the

address which was delivered there by the youngest honorary member of this Association. Those of you who were not there have a treat in store for you. This man needs no introduction at my hands. He is known to most of you and anything that I might say would not add to the distinction of the next speaker. I therefore desire, and deem it a special privilege and pleasure, this morning to introduce to you the Honorable Edward James Cattell, who will speak to us. (Loud and continued applause and cheers from audience standing.)

### Address of Edward James Cattell, Philadelphia, Pa.

*Mr. President, Officers, My Brother Members, Particularly the Ladies:*

I am happy to be here and I would be less than human if I did not appreciate greatly this cordial reception. I am laboring under one or two handicaps—first, the handicap of extreme youth, counting from the other end of life; second, that it has been but a short time since I had my breakfast and when it comes to appetite I take after both my mother and father. One ate very fast and the other a long while (Laughter), so that after a meal I am very apt to be in the condition of a dear little chap I dined with out in York, England, who had eaten a dinner which had taken every wrinkle out of his anatomy for the rest of his life and when his nurse came to take him upstairs to bed he said to her: "Pick I up, carry I out, but don't bend I." (Laughter.)

Now, while I have not the next-morning headache that perhaps some of you have—and frankly I wish I had. A good many things have become a memory that were once a hope (Laughter)—as I said to a body of clergymen the other day—"Be easy with the young people. It's a good deal easier to be good when you're too old to be bad."

It is a tonic to any man, it is an inspiration and I need those inspirations because I am doing all I can in what seems the line of my duty as an honorary member of this, the most powerful organization not only in America but in the whole world. (Applause.) You possess three elements possessed by no other organization in the world. There is no such thing as political divisions; there is no such thing as territorial divisions, for you come from every part of this wonderful land; there is no such thing as a trade division.

You may have splendid banking organizations, but always with the public it will be the banking view; wonderful manufacturing organizations, but always the manufacturing view; and so all through the list of organizations, but here you have that which is the life-blood of every part of our manifold life, credit; for credit is nothing more than character rendered fluid and character is the cornerstone of civilization. That is what you stand for. (Applause.)

And you meet to-day at the most critical hour not only in the history of America but of the whole world. America is to lead the world because America stands for those qualities which energize a democracy as opposed to those qualities which enervate under autocratic government. When we signed our Declaration of Independence in Philadelphia we not only declared our severance from a par-

ticular government but we enunciated an entirely new principle in government.

When government was organized, back in that old Mesopotamian Valley through which the British troops recently marched, the idea was that a loving and a just God picked one man as his child and made all the rest of his children the slave of that man. That idea prevailed in Greece, in Rome, with the westward sweep of civilization even in England, even after the Magna Charta and our jury law, always a favor granted by a slave-owner to a slave, always the idea of a just and loving God having made one man free and all the rest slaves.

In America, we struck the note that each was a sovereign of divine right with power to delegate authority ~~but~~ always with power to recall that authority, each responsible to the living God, all responsible to all of God's children for life, liberty and the pursuit of happiness and that idea we are going to sweep back to Europe and nothing on the face of God's earth can stop us! (Applause.)

You men stand, as I say, for that which is the soul of all life, character. To be, rather than to seem; to do things because you are things, you are in a nation that is the miracle of all the ages, a miracle and with power to influence immeasurable.

We have entered this war with clean hands, we shall come out of it with empty hands. There is absolutely no way by which our motive can be questioned. We do not ask an acre of any man's land, we do not want a tittle or part of any man's power. We merely wish to establish one great principle; that is, that there shall be in every government, no matter what it is called, an open discussion of the policies of that government and a participation in the decisions of that government by the whole people so that the whole earth can be at peace. That is as far as we go and that far we are going! (Applause.)

When the German Chancellor said that a state was the sole judge of the morality of its own acts, he wrote "obsolete" across the ten commandments and substituted for the Holy Bible the dictum of Berlin. That I will not stand and I will give life rather than live under it, and that is the spirit of America. (Applause.)

I am delighted to be here this morning, as I say. I believe in fighting, but I believe in fighting hopefully, I think we want to have the courage of our convictions and then keep the sun in our faces and the song in our hearts. I do abhor a pessimist, as you have heard me say. He is nothing more than a blind man hunting in a dark room for a black hat that isn't there. (Applause.) He'll lick his own children for growing.

My ideal, as I have often told you in various organizations where it has been my high privilege to speak, is that dear little chap who fell down the stairs and when I picked him up he rubbed his head a little and said, "Well, I was coming down anyway." It is getting good even out of your misfortune; it is the secret, keeping your pluck and keeping the main line of thought.

I never shall forget my experience on my first duck hunting expedition. One of those weather-beaten old hunters, who looks as if he had been born outdoors and stayed there all his life, looked me over and I evidently did not size up.

"Ever been after duck before?"

I said, "No."

He said, "I thought not." "Now," he said, "let me give you a pointer. There's a hell of a lot of open space on the outside edge of every duck." (Great laughter and applause.)

About all I did was to pepper that open space. I didn't even annoy the ducks, and I am afraid there are a good many other speech makers among my acquaintance who have done that same thing in handling a subject. They have kept on the outside.

I am reminded of a message I received sometime ago from your dear secretary. He was talking with us and told us he had to make a speech short and suggested that the daughter of a friend of his was going to a masque ball. We asked what she was going as, what character she was going to take and she said, "A milkmaid."

"Why, you're too small," said the mother. But she replied, "Well, I'm going as a condensed milkmaid." (Laughter.)

Now we will try to hit the ducks and we will try to have the condensed milkmaid.

I am happy to see some ladies here this morning. A gross outrage has been perpetrated on your honorary member by the secretary who arranged, with malice aforethought, to send out all the ladies to the camp beyond the reach of my fatal gift of beauty. But some of them, true and loyal as they all are at heart, are here to give me inspiration because I want to say now, as I have said a thousand times, that I have never seen a man yet doing that which the world needed done in the way it should be done who had not done what he did trying to make good in the opinion of some good woman, and the truest as well as the most beautiful lines of Tennyson are those in which he says, "Happy he with such a mother, faith in womankind breathes with his blood and trust in all things high comes easy to him. And if he trip and fall he shall not blind his soul with clay."

That is the feeling, my friends, I eliminated from my vocabulary many years ago and the elimination of that word is the secret of any success I have had. That little word is the word "death." It you are in Philadelphia some time and are riding on our elevated railway at night at 32nd and Market Street, you notice that for a second you lose the current, it is dark in the car. You pick up the new current and then on to the open country to friends and dear ones beyond, and so that little incident or accident which terrorizes so many is but the changing of current with me.

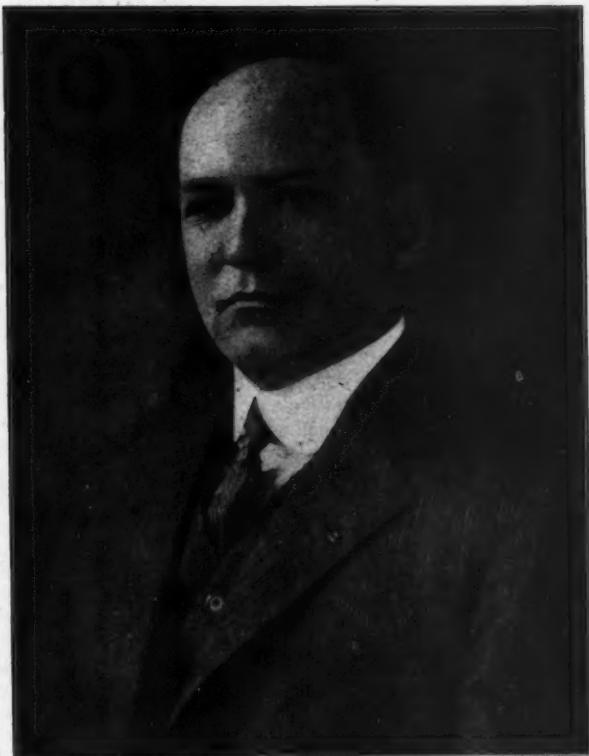
My work is planned for twenty years ahead and then I double it because I will be nearer the great central intelligence with quickened powers and with ability to do more of the things that I long to do here and would do but that a weak body holds me back. (Applause.)

Now, get that idea into your head for when I speak of that mother, I speak of one that I have not seen in the flesh for four and thirty years and yet before I left home, the last thing I did was to look at her face and say, "I'm going. Give me your good wishes." Hold every one with you. Feel that the work you start here is unending, feel that every individual in this room has a special work allotted to him by the living God that nobody else can do or nobody

else will do, that if you fall below your best, somebody somewhere is robbed of a pleasure, of an opportunity in life God intended them.

Oh, let us get a grip in this crisis hour of the dignity and the splendor of this thing we call life, and let us utilize every God-given power and every God-given opportunity to its God-like limit. Then there will be no question about results.

I was talking to seven thousand sailors a few weeks ago and



H. C. CORNELIUS  
Wolverine Brass Works, Grand Rapids, Mich.  
Director

I said, "Boys, I don't want you to die for your country. I want you to make the other fellow die for his and you come home. That's what I want you to do." (Applause and laughter.)

"We have reached the point where there are only two paths for an American, he's either got to live to serve or die to save. There's no middle ground, it is one of the other. Each morning each man must say to himself, "The world doesn't owe me a living, I owe the

world a life." They must have real courage, courage that means something—not the mock or imitation.

I have told some of you the experience I had in Trenton some years ago. A friend of mine in charge of that great penitentiary said, "We're going to try an experiment. We are allowing our boys, the old prisoners, to organize two ball teams. They are going to play in the prison yards. It will be curious to see how these men, unaccustomed to exercising self-control, control themselves." It was an interesting game. The umpire, a smaller man than I am, gave a close decision. They would rush at him with bats uplifted, threaten his life but he never turned a hair, never change the decision. After the game I said, "I want to shake hands with you; you're the bravest man I ever saw. Weren't you afraid they would kill you?"

He said, "Thank you. I'm going to be hung to-morrow." (Laughter.)

That is not real bravery. Real bravery is typified by the Irishman who got into the front-line trenches over night and asked his partner on the right, "What's the war about?"

"Well, I don't know, but I get a shilling for every German I kill."

"Well, that sounds good to me," said Pat.

Five minutes later the Germans started a charge and his partner said to him, "Watch that blue line. Five thousand Germans!"

"Oh, thank God," cried Pat, "our fortune's made!" (Laughter.)

That's the feeling! He wasn't thinking of what five thousand Germans would do to two Irishmen but what two Irishmen were going to do to five thousand Germans. That is the spirit of America. "One with God is a majority." We are going to prove that. "He who wrestles with me strengtheneth me" is as true as in the days it was uttered. "Mine enemy is my helper." Thank God for the opportunity!

I know my country probably as well as anybody here. I have fifty-five years of conscious memory. I went to California as early as 1869. I lived in Washington as early as '64. I have known every president since Abraham Lincoln. I had his hand on my head many times and his arm about me. I was a guest of honor at the first inauguration of General Grant in 1869. I knew the dear McKinley and loved him. I knew our Teddy, and I know them all—big men, each with a quality and a power. I am probably the only man living who knew both Abraham Lincoln and Jefferson Davis.

I knew General Lee. I have noticed each generation born in this land, but I say to you now with the throb of American blood in my veins that I would just as leave lead a regiment of men whose blood is that of a foreign nation but who have imbibed the American spirit as a regiment of men born in this country in this war for American freedom. (Applause.)

I took part in a function last week, the graduation of one of our great universities, established by one of our great men, Dr. Conwell, who made \$7,000,000 by lecturing and I don't believe today is worth \$5,000; he's given every penny earned to help educate the poor and men who have come from the other side.

One man was graduated. Another man had offered a prize

for the highest marks in a certain line. The man who won the prize was a Russian. The man who offered that prize has a large store in Philadelphia and he came to this country poor. He got his education in this university and he said, in presenting the prize, "I was born in Roumania. You who won this prize were born in Russia. We received opportunity in this, our adopted country, neither of us could have had in our mother country. God pity you if you ever cease to feel as I feel toward this dear mother for whom I want to give my life if she needs it to protect her." (Applause.)

I am not a bit afraid of the future. Let us keep our courage, play the game straight, play ball and playing ball means hitting the ball and not the umpire, and there is a hell of a difference. (Laughter.)

I'm glad some of the ladies are here because, as I have told you, there is where I get my courage from and we need courage to-day. Some of you have heard me tell it but I never see a lady present but I want to repeat it. It was a hundred years ago when I was young or I wouldn't tell it.

Down at Atlantic City in the moonlight, and you know what moonlight does even to a bald head (don't be afraid of the bald head, you never see cheap furniture with a marble top!), and with the moonlight and the balmy sea breeze, you know, it ties knots in your nerves and makes you wish you had been born a twin to enjoy it twice—you know that breeze gets into every vein and you can hardly keep your feet on the boardwalk.

I was there in the moonlight and with the sea breeze coming in like that, and I was with a pretty girl. We sat down on the beach and I finally got my arm around her but then I got scared. The girl didn't. They never do. I sat there and couldn't move but finally I looked at her and she said, "Why don't you kiss me?"

I said, "I can't, I have sand in my mouth."

"Swallow it," she said, "you need it." (Laughter.)

So my plea is for courage, courage to think straight, courage to be big; it's the coward who is cruel. Never forget this: As I said, I have been in every state in the Union and I have had to ride about nearly eighty separate countries in making a study covering twenty years, during fourteen years of which I was abroad. I have a right to speak with some knowledge of conditions in these lands and of my own land.

I saw two weak points in our great government, one in particular. Last June we had 187,000 partners in this great government; only 187,000 people holding our securities who would suffer financial loss through change of government. That was opposed to about 12,000,000 in France. To-day we have at least 26,000,000 partners in the government at Washington with that tide every six months flowing backward and forward from Washington to every part of the United States either in receipt of checks on registered bonds or in the payment of coupons.

We have made our weakest link our strongest link. That has all happened in a year. That is a cause for pride, but we had danger ahead, my friends. I had found everywhere developed a bitter class division, I found unmistakable signs of territorial or sectional animosity. Since I spoke to you in Kansas City I've made over a thou-

sand speeches in forty-two cities covering thirty-seven of the states. That is a pretty wide range and my correspondence has covered an even wider range, including the other side of the water.

I was nervous two years ago. I did see a tendency to run to hardness, a tendency to run to dangerous extravagance, a tendency to forget the old saying of St. Paul, "I keep my body under." I did see a departure from the old standards, I did see the influence of a certain type of German influence distinctly bad and an influence which holds that blood-shedding and the taking of life is just as necessary to mankind as the pruning of a tree; that we are all animals, that even the ethical actions are animal products. God was taken out of government, we became materialistic, we were growing materialistic, we were making a god of education, putting knowledge over wisdom and wisdom is knowledge visualized and vitalized by the spirit of the living God.

We were overfeeding the mind and underfeeding the heart. This great crisis arose. There was an appeal to reason, there was also an appeal to those great moral fundamentals on which America is sound, sound to the core in every section, and in a day America found its soul, men found a new pleasure in life and a new value in life, and a new willingness to sacrifice life for others and to live for an ideal and to recognize that each was a sovereign of divine right.

All of those old dangers have gone. I talked to 5,000 in a shipyard the other day. They were asked to buy \$60,000 of Government bonds; they took \$580,000. I was going home one night late and I looked into the window of one of our great machine shops where 19,000 men are employed. I was feeling a little dull and depressed through a physical reaction. I looked in the window and counted twenty-two machine tools each with an American flag over it. The man nearest me stopped for a minute, shut off his machine and gazed at that American flag with his heart in his eyes. I knew our land was safe. That man's heart was beating true, and with it the great heart of labor.

Don't be afraid of that. We are coming together. The best of us is coming to the surface and we are going to meet these after-war problems. What will they be? Briefly this: I feel that Russia's example has been of untold value to America. I have heard many of those Bolshevik doctrines preached in Philadelphia, some preached by the men who are now practicing them abroad. They were approved by many of our so-called leaders. Now we have seen them in action. We have recognized that there is no such thing as a new way to pay old debts. You can't revise all the morality of the ten commandments and make the basis of a life. We have come to see that liberty is all right if it is liberty under law.

Russia has shown us the falsity of some of our theories. The effect in Germany, which is the case of a specter that has divorced its soul, has shown us the difficulty of cultivating the mind without a coincident cultivation of the heart—two million in a cultured class, a hundred and eighty million illiterates ruled by that two million! That would make it easy, they thought, for the czar to control this ignorant mass. It made it equally easy for an enemy to corrupt that body.

Land in great blocks producing the same problem in Russia, a starved peasantry with no anchor through ownership, the same in Mexico, and this has shown us the danger of two things: we must break up those great parcels of land and have a peasantry that owns land, and so as a state. That will settle Russia and it will settle Mexico. In Russia two hundred dialects are spoken. I believe after the war we will see a division of Europe into many small govern-



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ments more on the type of Holland, Denmark, Belgium as it was. We are going to see America leading the world but with a moral overlordship and not a political overlordship; an educational overlordship and not an overlordship backed by the sword and by the guh.

It is our example and good work and speaking through us that is going to lead the world. That should appeal to you men. After

the war we are going to lead. We will come out of the war with a less impaired man power than any power on earth. That will give us a greater power of initiative. We will have the greatest amount of accumulated wealth, greater than any other nation. I make a prediction here, and I make it in all soberness, basing it on a banking experience of over forty-five years, that take our annual income or creation of wealth at say forty billion, which is the minimum, under new conditions it will be lifted to fifty billions; our expenditures, say thirty-two billion out of that fifty, will be decreased by quantities, as we did in Philadelphia, three-fifths during the war. The difference between the new wealth created and the new spending power by economy will be more each year in the next five years than the total cost of the war, and we can fight this war for twenty-five years and come out of it with the same accumulated national wealth that we have to-day. (Applause.)

I was called a fool three years ago when some here heard me predict—four years ago in Cleveland—that better times would come. I was called a fool in '73 when I said we could raise wheat in the Red River Valley and one of the great experts of the world said, "You can't, the ground is frozen ten feet deep." See what the Northwest is to-day.

Take your courage in both hands. Have faith in the ability of man, God-inspired and God-guided, to do those things which God put us on this earth to do, to lift the level of civilization and lead mankind to paths of pleasantness and days of peace.

In my life I have seen with my own eyes the wealth of America grow from seven thousand million to a hundred and twenty-seven thousand. There is nothing like it in all financial history. We are rendering fluid every dollar of wealth we have and when the history of this war comes to be written it will be acknowledged by every fair-minded man that this nation could never have fought and won this war had not the United States Government, through the leadership and under the influence of the National Association of Credit Men, adopted our present currency and banking system. (Applause.)

You have won the war! (Applause.) I have said that before many audiences all over this country and I am going to keep on because under the National Banking Act I paid in a premium of \$600 for the use of \$10,000 over night on collateral at less than 40 per cent. of its selling value. Such things can't happen to-day. I know whereof I speak for it happened to me personally. Don't fear the future. Take your courage in both hands. Only, don't handicap anybody else. Carry your own burdens.

I love to tell of that little incident that happened years ago when I was asked to go to see a dear friend of mine who had lost a little girl and was grieving over her loss. I will never forget that June morning as I stood on the porch of that bungalow, flowers everywhere, waiting for the answer to my knock. I did not know what to say to that little girl who was breaking her health and the health of her friends grieving over the death of that child.

When she came to the door she was her old, cheerful self. Somebody else had performed the duty I had come to try to do. I said: "Jennie, I came here to ask you to quit grieving for the

loss of that little one and I find you cheerful again. What has happened?"

She said: "Ned, it was a little miracle. Yesterday I was clearing up the shelves in the playroom, putting away broken toys, torn books, odds and ends, when late in the afternoon I came upon a pair of shoes, a pair of her little shoes, and I could not do any more. I went to my room, flung myself on the bed and must have fallen asleep but it seems to me the moment my head touched the pillow I heard the singing of little children. Running to the window and looking into the sunset, there coming through the afterglow I saw a line of little girls, each carrying a lighted torch, all singing.

"Nearer, nearer, nearer they came, and I asked God to let me have another glimpse of that little face I had loved and lost, and at the end of the line I saw Ethel but her torch was out, her face was in shadow. I cried, 'Ethel, why is your torch not lighted?' And she said, 'I have lighted it again and again, mamma, but your tears keep putting it out.'

None of us know how deeply we touch the lives of others. In God's name carry your own burden or take it to the great Burden-bearer and fight with every ounce of your power for the world needs you.

I know our boys who are fighting; they are fighting God's battle as well as ours. I have talked to 250,000 of them in army and navy. I will match them, give them equal equipment, one against any three of the best soldiers the Kaiser can put against them. (Loud cheers and continued applause.)

We have the money to fight this war. We have the moral element with us which is invincible. There's no question of what is going to happen if each pulls to the last ounce of his strength. Material conditions are with us. We will lead after the war and we will send back to every war-torn and bleeding country a man from that country who has lived in America and imbibed our spirit and who can carry our message to the people with whom he lived and among whom he was born.

We are so circumstanced that no other nation can be our rival. We will be under the appeal of men who have been wounded and suffering all over the world. Heart qualities are to dominate. Our literature, all those things that reflect and record man's highest emotions, are to be the great leaders and great impulses. We are going to enter on an era of prosperity, an era of immense reconstructive work. Japan has more to win through taking part in the new buying power created after the war by settled conditions and will not disturb China. We will have our influence in Europe. South America has lost its jealousy by seeing we are willing to lose everything for an ideal. We will be the leaders of the world and we can do it because we have the moral quality. I want to leave again with you the little picture—I don't know whether I told you in Kansas City or not, but I want to leave it with you just in this hour. My real basis of hope is a little thing that happened last June in our First Liberty Campaign when I went down to the old State House wherein our Declaration was signed. I was coming away at nine o'clock at night when I heard a policeman arguing with a sailor.

He wanted to go in and see the bell. The policeman said: "Can't you come to-morrow?"

"No, I sail at 5:30 on a converted German cruiser, now an American man-o'-war. We're going into the fighting zone. I only got here from the west to-night at 8:46. I've never been here before but my mother was a Philadelphian; she loved that bell. That bell and her Bible were the foundations of her life. My father died when I was quite young and my mother and myself grew up as brother and sister. Last February God took mother. I am in the navy because I feel I will be nearer to her fighting. I know she'd want me to go, were she here to give the word, but I'd like to see that bell. It would help me. I'm sort of homesick for her."

"Well," I said, "my boy, you're going to see it. You're answering its call. I have the authority and you're going to see it."

I took him around to the Wall Street entrance. The watchman was just coming down from that old tower from making his hourly inspection. He stopped us. I said: "Step out. In the name of the mayor. I'm going to take charge here. I won't ask you to light a light. The light from that lamp post in the Square is enough."

I took this sailor by the hand, led him into the little vestibule and put his hand on the bell. Then I stepped into the shadow, thinking I would move away and when I disappeared in the shadow, evidently he forgot I was there, for when I turned the form of the boy was silhouetted against the open door and I saw he was kneeling in front of the bell.

As I watched him his face lowered until his lips touched the bell and as that face lifted and caught the light I heard him say, "God help me to make good." That boy was nearer the mother he had lost at that moment than he will ever be again until he meets her before the face of the living God.

That's the spirit in which our boys are going over. I'm an old-fashioned man, born of an old-fashioned mother who believed in the old-fashioned God and as I know the principles of Old Glory are God-given, I don't think, I *know* they will be God-protected. (Very long-continued applause.)

PRESIDENT WHITLOCK—The next order of business is the conference subject: "Building Successful Merchants: What May and Should Be Done for Such Constructive Work," led by Mr. H. T. Barker of Providence and Charles H. Speck of Peoria. Mr. Barker. (Applause.)

#### CONFERENCE SUBJECT

### "Building Successful Merchants: What May and Should Be Done for Such Constructive Work"

By H. T. BARKER of Providence

Never in the history of commerce has the credit man been called upon to discharge such great and grave responsibilities as to-day. His task is not to curtail credits, but extend and expand them, but it must be done with safety and prudence. The mind

that does not think clearly, the brain that cannot decide promptly and wisely and the constitution that cannot act healthfully and vigorously has no business at the credit desk in these times and will be a failure because such qualities in the positive are absolutely necessary to determine the great problems that have been injected into trade and commerce since this great war began.

Unusual business conditions have caused the average merchant to be in a very receptive mood, in fact, in most cases he is anxious for advice and assistance. During the past two years the credit man who conducted his department with skill has found time on his hands to do the splendid work which is naturally blended with the credit department, and yet opens the field to a broader viewpoint and more constructive development, and, by the way, this work is also helping the credit man to be a better and bigger man.

The first step in building a successful merchant is to analyze his condition, or, as the doctor would say, diagnose the case. This can be accomplished more easily when the customer is within a hundred-mile radius, as in that case a personal call can be made, an examination of the books and stock and an appraisal of the merchant's qualifications can be obtained and in this respect care should be used to see if this analysis verifies the picture of the customer you already had from your agency and lawyer reports and your salesman's monthly talks.

Where the customer is a longer distance, the case is more difficult, and, of course, the size of the account would have to govern the advisability of a trip, but even in these long-distance cases, if there is no nearby jobber doing educational work, a great deal of sound advice can be issued from the credit department after the friendly relations are established, either by mail or through short friendly talks with the salesman, who can open the way for a correspondence course in better business.

To return to the short-distance merchant. After you have carefully investigated the condition and found the weak spots, and I am assuming that you will find them, as the probable start of a campaign for education along these lines would naturally be with the slow-pay customer, you must show the merchant how to correct the wrong conditions and, if possible, arrange for him to report to you monthly for a time, so you can continue to check him up.

The reasons which you will most frequently find are:

1. Generally careless methods and lack of ability.
2. Insufficient capital for the volume of business.
3. Too free an extension of credit.
4. Lack of knowledge of overhead expenses and insufficient profit.

This last cause, in my experience covering two years of this special work, I have found the most common.

I. If the first cause is found to be the trouble, that of carelessness and lack of ability, it may require a good heart-to-heart talk to put Mr. Merchant on his mettle, inspire him by your enthusiasm and show him how to tidy up. In some cases it is practical to send one of your men to him for a day to arrange his stock, or dress his window for him or show him how to make a price book or any

one of the number of things it is necessary to do to have a business well regulated.

2. If the second cause is found to be the trouble, that of insufficient capital for the volume of business, first see if the volume is healthy and permanent and then if the man has sufficient backbone. You might arrange with his bank for temporary capital; or, if the occasion requires, carry the account for a special period and provide the capital on an interest basis.

3. If the third cause is found to be the trouble, that of too free extension of credit, a very successful method of dealing with this condition is, first, to have Mr. Merchant draw off a list of his accounts receivable and list them in three columns, classified A, B, C. A accounts inside of ninety days, B accounts over ninety days and C accounts in question.

We found that 90 per cent. of the merchants who were investigated last year by our department were surprised to see the proportion of accounts in the B class or over ninety days old and, of course, a part of the profit originally planned was gone.

Then second, give him some good form of collection letter and help him get them out and ask Mr. Merchant, as a matter of interest to you and pride in himself, to send you each month the total of these three columns, so that you can see if your plan is working and if he is following up your good work.

In many cases accounts in question are allowed to remain on the books for a year without action, and these should be placed with an attorney before they are so old.

In almost every case you visit, you will find some of these accounts, which are collectable under pressure, if not allowed to get too old, but generally the merchant neglects to take action.

The fourth cause of trouble is lack of knowledge of overhead and insufficient profit. Every merchant is anxious to know more about the expense of doing business, or what is generally termed overhead expense, and he will listen attentively to your explanation of it, but there seems to be a general impression among merchants that to know these things requires an extensive bookkeeping system or something which they cannot comprehend, and the sooner all the large houses assist in the educational work of showing the smaller merchant the simplicity of an accounting system which can be applied to their particular line, just so much faster will the smaller merchant understand and utilize it.

It is not uncommon in my experience to call on six or eight men in the same line of business and have each one tell me that his overhead expense is all the way from 8 per cent. to 30 per cent. and the method used in figuring the mark up in many cases is astounding.

I believe that more good can be accomplished by definite work in this particular cause to eliminate the dilatory accounts and make better merchants than any other phase of the subject. It is necessary, of course, where this condition exists to secure first the statement of the merchant, analyze it carefully with him and show him wherein he has not made enough money to cover his expense or make any additional profit.

We have found in many cases, that where the merchant gets

literature he is unable thoroughly to understand it, and even though it was not written in an unusual form, it seemed to be somewhat hazy to him, and that is why a personal call is so essential, and time spent in going over accounts carefully with the merchant and explaining in detail the overhead expense appears to be so necessary and is so thoroughly appreciated.

With pencil and paper before you, it is very simple to show the



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merchant how essential it is that the mark up profit percentage be figured to include both overhead and the profit and if figured on the cost should be more than the percentage which he expects to realize. In other words, explanation by illustration is far easier for the merchant than written pamphlets.

From our own observation, it would seem as though it would be wise for all trade associations to prepare a table covering the various expense items, by consulting the various lines of merchants

and establishing a minimum percentage of overhead to be used by merchants in different lines, based on the probable volume of business and average stock.

Several houses in New England have for some time past been employing a traveling auditor, whom they have sent to dilatory merchants with the credit man and, after securing the confidence of the merchant, have made an inspection of the bookkeeping methods and given him such advice as is necessary, to change conditions and shown him how to keep in closer touch with his business, thereby getting a better overturn and making more profit. This plan, while practical with the larger houses, is now being considered by numerous smaller houses who are making arrangements with an individual accountant, who is not too theoretical, to do this sort of work, and after an examination has been made, or a new set of books opened for the customer, the accountant arranges to call at certain times, about once a month, or at least once in two months and interrogate the bookkeeper and the merchant to ascertain if his method is being so carried out as to get the best results.

This appears to be a decided step in the right direction and the cost to the jobber will probably be offset by the reduced bad-debt loss and the closer relations that will result in the increased patronage and the satisfaction of having a part in the "Building of Successful Merchants." (Applause.)

#### CONFERENCE SUBJECT CONTINUED

By CHARLES H. SPECK of Peoria, Ill.

Every credit risk is viewed from three angles, the three C's as Mr. Tregoe calls them, Character, Capacity, and Capital. Character we can perhaps build but we can do more with capacity, and with character and capacity developed we can build successful dealers who, on these foundation qualities, will rear the other requirement of credit capital.

It hardly seems necessary for me to read the few words that I have to say because Mr. Barker has already expressed them in almost identical terms, and in the hope that the secretary may be perhaps more lenient with me I will require but a very few minutes.

Our subject is searchingly personal. Effective work may be done by correspondence, through salesmen, and in personal interviews with merchants. This is individual assistance direct and indirect. Local associations or committees within them are also in a favorable position to do much cooperative work for the building up of merchants.

Correspondence serves a most useful purpose. It is the best way to get a complete financial statement. And around the statement must be done much of the constructive work. The letter request for statement should be accompanied by two blank forms of statement and a circular perhaps on why a statement should be given. There is implied in this method, time to make up a real showing. A personal call for the same purpose generally results in estimates. A mail request for an inventoried statement should be made of every new customer; of all annually, excepting the increasing host that voluntarily sends in statements, and when extensions are asked and no late statement is on file. It assists many dealers to merely read the contents of a statement. New thoughts about business spring up in

the mind. The gathering of the data necessary for filling out a statement and the setting of it forth in the systematic way required make a deeper impression still. Naturally it follows that the thoughtful will make comparisons of the different items and desire to know the meaning of it all. Here is now needed the ability of pointing out disproportionate items without offending. The proper relationship is known but cannot be acceptably presented. An atmosphere of sufficient confidence is not created. Before assisting others it is well frequently to give ourselves the once-over. Only by mail is it possible for some to point out the necessity of the annual inventory, how to take it properly, what books of account are found in a well-regulated business of the character under observation, the top-heavy items, lack of insurance or sufficient protection, and excessive expense of doing business. The greatest tact available should be used in approaching some of these although others lend themselves to correspondence easily. Doubtless a spanking, as Mr. Tregoe puts it, is deserved in some instances and may do some good but there is hardly ever any personal gain in administering it. Many cases are recalled where a merchant's business has been closely analyzed by mail with helpful results—the merchant becoming more successful, becomes a better customer. With every letter specific circulars may be sent. The fact that a letter cannot more effectively bring a message, no matter how delicate, so as to receive respectful and serious attention and leave a spirit of good fellowship is not in the medium but in its language.

Salesmen are becoming of real and growing value to the credit department. They should be trained to act as the constant representatives of the department. Salesmen should be capable of showing how to take an inventory and actually participate in the job. If observant, what books of account it is advisable to keep, what is found to be the proper relationship in the different elements of a successful business. And further, assist in creating them by telling how another merchant does. An ambitious salesman in addition to bringing his house to the dealer renders further service in bringing to every one the most practical merchandising suggestions. He is always thoughtful of the merchant's problems, seeking the best helps he can find for them. His field of effort is limited only by himself. Have the many possibilities of the value of salesmen been realized by credit departments? The salesman of the future will find his work only half done with the bill of goods sold and will go about the other half of his work of building successful merchants. It will mean time profitably spent because one hundred can be as quickly written in the order as the dealer because of his success becomes a bigger distributor of goods.

The community effort of merchants of Monticello, for instance, of a pay up week is of interest to salesmen because of the possibilities of its wider application in more places. Through salesmen therefore constructive work may and should be done in building successful merchants.

The credit man surely will never miss a chance to call on a dealer, or meet him when he comes to his house. It is possible for some to know every customer. All must desire to know more than at present. Is it honestly admitted that the most is now being done

to meet dealers and talk over mutual business problems? In conversation a dealer's business can be analyzed with no chance of giving offense. He can talk back while his reluctance to write back is proverbial. Where necessary the shortest route is taken to close the whole matter. Such terse phrases as "cancel order" are familiar. Too little is done by credit men in this personal, intimate work that he is best fitted to have a part in.

Collectively in associations or as committees, or as groups within or without associations a broad field of the most result-getting work is open. The Y. M. C. A. courses of study, university, a college and school curricula, and meetings of every description arranged for dealers and credit men are but a few manifestations of the possibilities now availed of to discuss business. The mere gathering together of merchants and credit men in a common purpose does so much in instilling confidence. Confidence—the basic foundation on which can be built all of the assistance for good that is desired. The general shop talk, all participating if possible, brings out every angle of the topic considered. At least the right spirit exists in these precious hours but they are too few. Why not arrange more get-together meetings? The credit department methods committees—national and local—are created for this purpose. Let each association determine to promulgate a course in business open to all, and a big meeting at least once a year with all the dealers of the city to discuss mutual problems.

After this ramble about on this big conference subject perhaps the thought is left of how easily so much may be done and result in more being actually done. Our first duty is toward our house but we cannot fail to help where possible in making for sound business. The dealer's success spells our success too. He is our distributor. Let us pull together and do more collectively and alone toward building successful merchants in every way open to us. (Applause.)

SECRETARY TREGOE—Mr. Speck, in your paper you said "give ourselves the once-over." What do you mean?

MR. SPECK—Before we can begin to assist the dealer I believe we must examine ourselves. We really cannot help the dealer until we are trained in right methods of doing business.

SECRETARY TREGOE—You believe it is necessary first to build credit men before credit men can build merchants?

MR. SPECK—Absolutely.

SECRETARY TREGOE—You have an account on your ledger. When you analyze it you find that the merchant has two of the C's and he lacks one. He has character and capital and no capacity. What kind of a credit risk is that?

MR. SPECK—Mr. McAdoo believes that capital comes first, but I believe that capacity comes first, although I realize that we must have in addition character as well as capital, but to my notion capacity is first—ability.

Majority of convention shouts "No." Some one says: "Some of the biggest crooks in the world have capacity." (Applause.)

SECRETARY TREGOE—Mr. Speck, you believe that the risk with the element of capacity lacking is a defective risk?

MR. SPECK—A defective risk, but it is a risk that has possibilities in it.

SECRETARY TREGOE—Well, Mr. Credit Man, how are you going to give him capacity? Tell us just what you would do, Mr. Speck, to give that merchant capacity.

MR. SPECK—I would probably go about it, so far as I am personally concerned, by requiring him to give me an inventory statement. I would probably go back and try the same thing over if I did not get it first and I would work through the salesmen. It happens that I am not able to get about among the dealers as others may be able to. After I got the statement, I would, through the salesmen, indirectly indicate to him in what way he was lacking in capacity, by pointing out the disproportionate items that showed up in his statement, indicate to him whether or not he is carrying too large a stock for the volume of his sales, whether the expense was in the proper proportion to the sales, whether or not he was extending credit too freely, had the proper amount of cash on hand and in the bank to meet his immediate requirements.

SECRETARY TREGOE—This merchant lacks capacity. You ask him to make you a statement. How many merchants without capacity can make proper statements? (Laughter.)

MR. SPECK—Very few.

SECRETARY TREGOE—You were going to ask him to do something that he had not the capacity to do.

MR. SPECK—That is the beginning. We must first begin with a statement and he must either give me something or else nothing. After he has shown me that he can not give me anything, then I must set to work and show him exactly how to make up his statement. If he has given me only estimates, then he shows that he knows a little about his business. I am assuming, of course, that he is not entirely illiterate. Then I can build up from that the points that he needs strengthening on, show him how to take an inventory of stock, if that is lacking.

W. L. ROBINSON, Memphis—It would depend entirely on the order. If the order would justify it, I would get on the train and make a personal investigation. You can accomplish more in an educational way by personal conference than by any other method.

SECRETARY TREGOE—Our Memphis friend says if the order justified it he would jump on the train and go down and talk with this merchant. When you went into his store what would you do? Give us an illustration of how you would approach that merchant and what you would say to him.

MR. ROBINSON—I would tell him exactly what I had come for—to make an investigation—that is was much interested in selling him; as much so, as he was interested in buying my goods. I would then go into his books and make up a financial statement, and if necessary, give him all the assistance I could.

MR. HASKELL—The greatest help I think a credit man could give a merchant who had capital and character and no capacity

would be to impress upon him the importance of putting in a proper system of books and keeping a set of books so that he would then have the capacity to draw up the statement that you ask for, to get a set of books that would show him where his leaks are, show him where his margin of profit should be and he could then draw up a statement that we could properly digest.

SECRETARY TREGOE—You see, Mr. Speck, your first proposition is being confirmed. The merchant who has character and capital has possibilities. You acknowledge that. If he has possibilities then it is for the credit man to cultivate those possibilities until they become realizations. If the man lacks capacity, as a skilful credit man you either give it to him or if he is not capable of taking it, you tell him he had better get out of business.

MR. SPECK—In practically so many words, by rejecting the order. I would tell him on the basis of the information I had I was sorry I could not extend him credit on our regular terms and if he wished to pay cash in advance, all well and good, I would ship him the goods. I have had come to my attention a great many cases where a man has begun business, just ready to start in and credit men have actually advised him that it was impossible to make a success of the venture with his ability and his capital and have refused to sell him the first order of goods, although cash accompanied it.

C. E. BLOCK, Grand Rapids—If a man has not capacity but has character and capital, how do we know that he has capital unless he renders a statement of some kind?

SECRETARY TREGOE—Mr. Barker, you have a merchant on your books and after analyzing the risk you find that he has capacity and capital and no character. What kind of risk is that?

MR. BARKER—Bad.

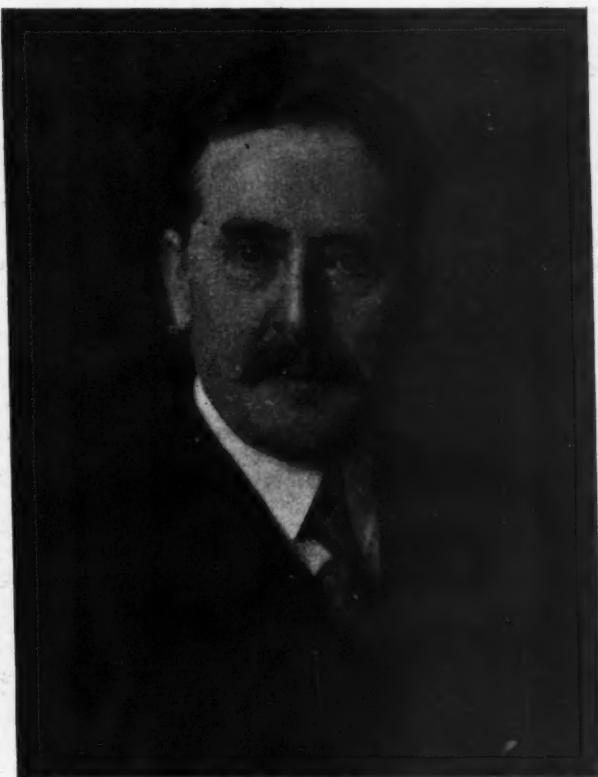
SECRETARY TREGOE—You have that risk. You have capacity and capital and no character. Construct that merchant. How are you going to give him character?

F. R. HAMBURGER, Detroit—I just want to say a word about the necessity of having character in business. Let us be honest with ourselves. The speaker has made the honest confession that he has some bad accounts on his books and I am satisfied that if every credit man here were to analyze carefully his ledger and go through the accounts and cull out the men and the merchants on his books who are not entitled to credit because of lack of character they would reduce the volume of their business 50 per cent. and I believe that is absolutely true. (Majority of convention cries "No! No!") Because if you look at the records in the bankruptcy courts, you will find a great many of these creditors have busted a half dozen times, they have had fires and done everything that is questionable and still they are able to get credit, and that is the burden of this talk all the time, "Cut out the fellows that are not entitled to credit," but we don't just the same.

MR. BARKER—As long as you believe in human nature there is still a possibility of building character. (Applause). It is a more difficult task than trying to supply the capacity, perhaps, but there

is a way of getting at it by working along certain lines with certain people, you may be able to get at a man and correct his habits and build up his character.

SECRETARY TREGOE—Now, Mr. Barker, you have an old merchant down in Cape Cod and you think he is pretty shrewd; he will put it over on you or put it over on some one else, and you set your-



R. H. GAY  
American Can Co., San Francisco, Cal.  
Director

self to the task of building up his character. Tell us how you would do it.

MR. BARKER—It would have to depend upon how long I had known that merchant. If I had had him on our books for a long period, I would probably take a day off and drive down to Cape Cod and spend a day with that merchant and try to get next to him. I would try to get him to have confidence in me and believe my interest in him was sufficiently genuine to make him a better man.

Just how I would do that would depend upon the man and his position.

SECRETARY TREGOE—That is a fine thought. We had that capacity element lacking and we believe it can be supplied in a great many cases. We have the element of character lacking and Mr. Barker says it can be built up. Everybody who believes the absence of character is a fatal defect in a credit risk, raise your hands. It is unanimous.

JESSE SPURGEON, Ottumwa—No, sir! I can conceive of a man having capital and capacity and a bad character, yet three-quarters of the credit men present would give a credit risk. If he has the capital and the capacity, he has too much sense to run certain risks that he would run if he lacked the capital and nearly every one here will sell men that have capital and capacity but would refuse if they lacked the capital. We do not turn down men that have plenty of capital because we suspect their moral character. (Applause.)

FRED T. JONES, Cleveland—I would like to answer that question by the answer made in the Ohio conference when the same question was raised. Mr. Tregoe was quiz-master and he asked if a man who was worth a million dollars, but had no character, should be sold or not. One of our members answered in this way: If he had no character, how would you know that he had a million dollars? I think that is the secret of the answer to that question.

While I am on my feet, may I just say a word? I have a thought here that I would like to introduce along this line. Our great difficulty, as I see it, does not come from the ability of the average credit man to convince his customer as to what he should or should not do; the question of his accounting or other things necessary to bring about success in his business, especially so or exclusively so perhaps when you are able to get into personal conference with the man. With most of us, getting in touch personally with our customers is very largely impossible. We can see a customer here and there but it is not possible in the very nature of things for one credit man to become personally acquainted or come in personal touch with all of his customers if his house is doing a large business.

The great difficulty, it seems to me, is in the gap that exists in the mind of the customer between the customer, the retailer and the credit man. There is a proverbial antipathy that has come down through the years, the customer naturally feeling that the credit man is his natural born enemy.

I appreciate that feeling is overcome to a considerable extent by the activities of this Association and by the activities of the members individually, but this is the thought that it seems to me we ought to get across: We are doing constructive work, every one of us interested in the work of this Association knows that we are conscientiously laboring not only for the success of our own houses but for the success of the customers with whom we deal. We know that their success means our success and that their failure means our failure.

Now, we want to get that thought across to the customer and it seems to me that every one of us should establish in his credit department what might be termed a service department. While I do

not agree with one of the speakers when he intimated the immense possibilities in the salesmen in teaching the customer how to keep his accounting records, etc., for I think it is next to impossible for the average salesman to take up that side of the work, yet if you have established the proper relationship between your credit department and your sales department, that sales department can readily say to the salesman, "We have a service department in connection with our credit department. The purpose of that service department is to help our customers build successful business. We have men there who are devoting their time to the analysis of business. They do not pretend to be all-wise but naturally, giving their full time to the study of these problems, they are able to analyze business and I am sure if you will submit your statement occasionally to our credit department, our credit manager, our service department will analyze that statement for you and send back to you his opinion of what ought to be done to better your business."

It seems to me if we could get that thought across through our salesmen and through publicity generally it would go a great way toward carrying out the thoughts that we have in mind with reference to our relations to our customers. (Applause.)

MR. ANDERSON, Toledo—May I go back to character a moment? Character, it seems to me, is a thing of the heart. There is a wide range between a bad character and a good character. Every one, of course, has some sort of character. Just as an illustration, we had a customer who was in the habit of taking discounts on account of grade. At one time we shipped him a carload of lumber. This carload was refused on the track on account of grade. I called up the agent and he advised me that the car had not been unloaded, consequently the customer could know nothing about the grade of the lumber.

I immediately boarded the train. I found that the agent had a record. I had a heart-to-heart talk with the agent who told me this customer was in the habit of making deductions on a great many cars that came in there. I went over to this customer and had a heart-to-heart talk with him, after finding out something about him in the town. He was good to his family, bore a good local reputation, in short, had character but he had fallen into the use of sharp practices in his dealings. He had a certain amount of character which every one has. The things to do was to iron out that wrinkle in his character.

I talked with him and explained to him that his business reputation was getting bad, that reports were current that he was refusing cars in all directions, and that he was being charged a higher price for this reason. I had him in a very peculiar position because he had made a claim without unloading the car. Since then we have never had a complaint, and in the wholesale lumber trade of Toledo complaints regarding his methods have disappeared.

By having a heart-to-heart, personal talk with that man we succeeded in ironing out the unhappy wrinkle in his character. I believe character can be brought forward and developed along those lines.

SECRETARY TREGOE—I want to consider the absence of that third "C." Having the elements of character and capacity with the

element of capital lacking, see how we treat that defective risk and how defective it is. Do you believe, Mr. Barker, that the risk which lacks in character is more defective than the risk that lacks in capital? In other words, do you believe that the absence of character is more fatal than the absence of capital?

MR. BARKER—Yes.

SECRETARY TREGOE—How many agree with Mr. Barker on this point? It is almost unanimous.

(Time for discussion being up, the audience gave a hearty round of applause to Mr. Barker and Mr. Speck.)

MR. SPECK—I would like to ask Mr. Tregoe whether anything is being done by the National Association to construct merchants beyond the issue of literature? For instance, we have the adjustment bureaus that take the unhealthy account and either get the most out of it if that is the only possibility, or build the man into a successful merchant. To-day communities, instead of equipping themselves with the most up-to-date equipment for fighting fire, are working to prevent fires instead of effectively killing them after they have started. Is there not a possibility in the Association of an instrumentality something like the adjustment bureaus to take the man that is still in a healthy condition and make him healthier or continue along the road of success instead of retrogression?

SECRETARY TREGOE—We promise you, sir, that we will build up in this organization a service department. (Applause.)

PRESIDENT WHITLOCK—We now have another treat in store, a guest from the Southland. Herbert Spencer, the eminent philosopher and advocate of universal progress, said, "There is a soul of goodness in things evil. Out of this colossal war of the nations will be developed a strengthening of human character and higher ethics in every field of human activity."

In this connection an eminent citizen of the Southland will address you on "Building Business Character Under War Conditions." I have the honor to present the chaplain of the Atlanta Association of Credit Men, Dr. M. Ashby Jones, of Atlanta, Ga. (Applause from audience standing.)

### **"Building Business Character Under War Conditions."**

By DR. M. ASHBY JONES of Atlanta, Ga.

Mr. President, may I say to those who are leaving the hall that they remind me very much of Zeb Vance. At the Battle of Malvern Hill when they were just about to go into a charge, an old rabbit started across the field. Old Zeb yelled out, "Go ahead, old Molly Cottontail, go it! If I didn't have a reputation to sustain, I'd be with you." (Laughter and applause.)

Men of the Credit Association of America, down home I do not have to be introduced to the credit men. Everybody who gives any credit at all has my name and address already. (Laughter.)

I feel absolutely at home among the credit people. My congregations discount all of my sermon notes without interest. And yet, I have come to the place in life where I have no fear whatso-

ever in standing before any audience in all the world and whether I know anything about the subject or not, just talk away unhampered and unlimited by any facts. (Laughter.)

I feel very much like one of my old friends in Virginia who was criticizing a very well-known book and a grouchy acquaintance of his said, "Shut up! You can't write any better book yourself, can you?"

"No," he said, "I can't lay an egg, either, but I'm a better judge of an omelette than any hen in the state of Virginia." (Laughter and applause.)

That exquisitely winsome personality with his eloquent term this morning and his marvelous character that has wrought itself into the finest fiber of American civilization, spoke of his inheritance. I, too, have an inheritance. My father was a preacher. My mother was a woman, and I talk by inheritance. (Laughter.) The only thing in the world that a preacher needs is a text—I mean a pretext, some point of departure. Like a man standing on the platform and the conductor yelled to him, "Get off that platform!" "Why," he said, "I thought a platform was made to stand on." "No," replied the conductor, "it was made to get on—and off." (Laughter.)

So I am rejoicing this morning in my text and the president and secretary have promised me that I could treat it just as liberally as I pleased. I came here to make a speech about character and already, men of America, you have made a more eloquent address on the subject of character than I could ever phrase in phrases of most graceful rhetoric. To see this splendid representative body here this morning, hands up with a unanimous vote, stating to the world that the first element of credit, in that which we have been taught was business and materialism, was not capital but character!

Oh, that the world will come to understand in these days of strain and stress that America, that has been far-famed for the accumulation of its material resources, America, the wealthiest nation on the globe in this war, counts the victory not upon her material wealth but upon the character of her liberty-loving citizens! (Applause.)

In this world-wide war, as we may have expected, there has come a world-wide revelation of the possibilities of human character where every interest and every motive and every ambition and every need of human life has felt the assault upon the universal interests of all mankind. It was inevitable that every phase of human character should be called into consciousness.

I stood not long ago before a splendid copy of Da Vinci's "Last Supper." Aside from its religious significance there is revealed to me a marvelous picture parable of the possibilities of human life. As my eye ranged that group it swept the full gamut of the possibilities of human life from Judas to Jesus, and I felt a profound truth pressing itself home to my consciousness: A man can be like Judas—ah! but a man can be like Jesus.

And quickly I translated this ancient lesson into a modern lesson and in imagination again my eye swept the full range of the revelation of human life, panoramic in its pictures of to-day. We can read the possibilities of human character to-day all the way

from the baser depth of the Kaiser to the Christ and as a man says in deepest humiliation, a man can be like the German Kaiser—aye! but sunny-tempered optimists, we must shout again with a passion of pride, "Yes, but a man can be like the Christ, also!"

Ah, the lesson is not learned until we understand that it took a Christ to produce a Judas. If there had been no Jesus to betray, there would never have been a Judas to blacken the record of human nature with his bargain. But it takes a Judas, too, to produce a Jesus, for if it had not been for this possibility of a Judas spirit in human character, the heart of God would never have been translated into a Jesus to redeem that human nature to its divine inheritance. (Applause.)

Closer still comes the lesson, not simply is that picture parable a prophecy of the possibilities of the human race but it is a picture of the possibility of every individual human life.

Stand by the cradle of that new-born babe; sleeping there beneath its dimpled weakness are all the possibilities of human life, all the way from a Judas to a Jesus. What faculties and forces are going to be-awakened in that life? What splendid accomplishments shall be revealed in the hands and in the tongue of that young life? What shall it be?

Ah, I think the God Almighty has thrown this old universe, men, with all its distances and difficulties, with all its heights and depths, with all of its mysteries, wth all of its menaces, thrown this old universe of ours at the feet of every babe in all the world as a gauntlet and dared that human spirit to conquer or to die! Famine and flood and fire have but piqued the spirit of man. Heights and depths, veiled batteries of mysteries have but keyed the intellect that it might come forward in mature power.

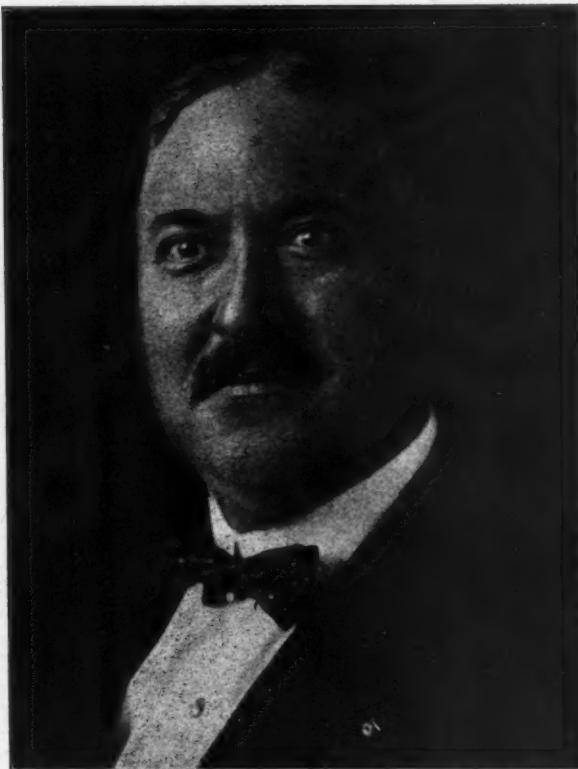
Mountains have been tossed by God in the pathway of human life to dare their faith to bid them to be cast into the depth of the sea. That which you and I have called evil in the world and enemies in the world are not evils nor enemies. They are God's dares to our characters. Conquer or die, make the world the servant of the soul or let it be buried beneath of the soil of its silver. (Applause.)

It is from this standpoint that I am viewing this great war of to-day. Men, never in all the tide of time has God so dared the immortal spirits of those who have been created in his image. What shall this war do, not to Belgium nor to France, not to Italy nor England, but what shall this war do to you individual American citizens?

In 1914 Germany looked out upon a world with covetous eyes and wanted it, its land, its lumber, its seas and its harbors, its wealth and its luxury. Supreme Selfishness, clothed with irresponsible power, sat upon the throne at Berlin and its eyes lingered with longing upon Paris and the Channel ports. Between her desires lay Belgium—Belgian fields cultivated for generations by Belgian industry and associated with the songs of her toilers as they kept rhythmic time to her work; Belgian homes sacred by the immortal love of generations of fathers and mothers and sanctified by the traditions that had been handed down from father to son; Belgian churches into which art had wrought its graceful expression of the devotion

of a people and translated with matchless beauty the story of its faith. Belgium! Ah, Judas looked into the eyes of a Jesus and saw naught but thirty pieces of silver! Germany looked upon Belgian civilization and saw naught but a roadway for its ruthless ambition to the ports of the sea!

Along that roadway its armies marched to the dirge of dying



W. F. H. KOELSCH

New Netherland Bank of N. Y., New York, N. Y.  
Director

childhood and the minor music of the raped and ruined womanhood, leaving Belgium a desert of dust and ashes. But the blackened and-blurred walls of her cottages and her cathedrals, the dead ashes that told the trail of her armies and the bloody footprints that marked the march of her murderers does not tell the real story of the spiritual destruction which was wrought by that betrayal of her faith. Before Germany could cross the Belgian border she had to break through the spiritual barrier of her own honor. This beast

of Berlin had to trample beneath its feet the precious pearls of civilization in its mad rush to rend its prey. It had to break down that spiritual arch that had been builded up through centuries of civilization by blood and sacrifice that we call international law, that spiritual agreement of civilization beneath whose sheltering safety childhood played and womanhood gave birth to the children of the world.

Oh, men, when we talk about Germany over all, it is not simply Germany over the prostrate body of Belgium and Serbia, not simply the destruction of a land and of houses. Germany over all means the prostrate soul of civilization beneath the iron heel of a Teutonic brute that they worship as God! (Applause.)

Never was there such a challenge to the souls of men to fight, fight not for lands or for languages; the fight to-day that confronts every soul is a fight for the salvation of civilization itself. To the bar of that judgment comes every conscience. Shall it be self or service? Silver or sacrifice? Judas or Jesus?

You have been told and rightly told over and over again that you at home ought to gather all the wealth of this great land and translating it in practical business, place it behind your government and make possible the victory of those khaki-clad lads in France, and that is right. Ah, but there is something deeper than that! When that army started from Berlin in 1914 there never has been on this planet such a marvelously organized military machine in the world, backed by all the scientifically organized material resources of German forethought and German providence and yet we said that army had started from Berlin to Paris. We know now that that army had started not for Paris but to go round the world! Aye, but it never got further than the River Marne!

France, the immortal spirit of France, bleeding from a thousand wounds, with the words upon her lips, "They shall not pass!" stood in the pathway and saved civilization! (Applause.)

Oh, men of America, they are standing there to-day! But a new flag has joined the chorus of protest against barbarism. (Applause.) The other day the stars of that flag shone their light in radiant beauty upon the lilies of France while American boys hurled Huns back from that fatal river to a prophecy of destruction. (Applause.)

You may gather all the resources of material that you please, limitless tons upon tons of ammunition. We need it. I tell you to-day, Americans, it will take the American spirit to drive that metal to permanent victory! But the spirit of an army is ever the child of the spirit of the nation. You can never expect those khaki boys to have any more courage, to have any more of the spirit of sacrifice than the courage and the spirit of the man in the factory and the man in the office back here three thousand miles away.

It is a paradox, I know, but you will find in life that it takes the hardest thing in life to bring out the best in human nature, the easiest thing is the thing we need but the hardest thing is the one that challenges the nobility of spirit. Look into the faces and these splendid eyes of American citizens this morning! I know your temper, sons of those who have inherited from your fathers in the past a love of liberty and of willingness to sacrifice yourselves

for your convictions! I know your blood. Many of you would far rather to-day be upon the firing-line of Flanders or of France with your boy for whom that star stands, perchance in the great battle of the world, than to be here (Applause), but your duty is here, your supreme obligation is here.

You have a hard task to perform. Three thousand miles away from the battlefield, three thousand miles away from the inspiration of the comradeship of that fight with all of the bugle calls that stir the very depth of manhood, three thousand miles away in the bitter routine of a monotonous business life, you are called upon and of God to translate into your contracts, into your methods, into your investments the same spirit that would dare you upon the fields of glory, upon the battlefield. (Applause.)

He rises to the supreme moment and the supreme call of this hour who has spiritual vision and who can visualize to himself to-day's task. To-day's task is a trumpet call; a sacrifice of dollars, is a call of God and my country. Let the buzzing bands and whirring wheels of our industry shout with a paean of victory and consecrate every desk until it is as sacred as the altar of a cathedral. (Applause.)

Business men, I can't tell you how to do it, but I'm sure if that principle, I believe that your obligation is infinitely more than to take your profits and invest them in war bonds, or even give them to the Red Cross, which is splendid, but more than that, that every man shall count his business as a part of the service of his country, that he shall see to it that not a contract, not a method, not an investment shall lay the weight of a finger's burden upon our government in its great work for victory—not one single, tiniest tittle of an obstacle shall be placed by your business in the pathway of the armies of freedom. That what you have shall be concentrated and consecrated upon the altar of the freedom of the world that you may have your part in making those stars to shine with a radiant light, that you will one day guide the nations of the world to a pathway of permanent peace and prosperity. (Applause.)

I think I hear in this supreme moment as we push back the timid ones, as we hush the trembling voices of uncertainty and of doubt, I think I hear the great poet prophet of America speaking once again to the faith of America:

Be thou no anchor, oh, my faith!  
To lie on ocean's oozed floor  
Dim fathoms deep, away from wind and wave,  
And e'en remote from day's great eye,  
Thy task to cling and clutch and keep  
This little bark of mine from the self-same sweep  
Of ocean shore, o'erhead the self-same sky.  
But rather, when the winds are free,  
Be thou the needle, loyal to thine oar,  
Bidding my bark remotest isles explore.  
Better go down amid the wind's wild roar  
Than rocked in land of babes, and go not forth  
At bidding of the wild, beseeching waves.

(Vigorous applause, audience standing.)

PRESIDENT WHITLOCK—Next is the report on credit department methods, which will be presented by E. C. Ray in place of A. E. Stevenson, chairman.

### Report of Committee on Credit Department Methods

*To the Officers and Members of the National Association of Credit Men:*

GENTLEMEN:

Your Committee on Credit Department Methods is not permitted to record great progress for this department for the reason largely that war conditions have so occupied the thoughts of credit men that it were difficult to place upon them with entire justice and fairness obligations that were not pressing but which, under normal conditions, they would have received and carried forward with pleasure and earnestness.

Your committee has concentrated its attention largely upon the building of successful retail merchants. Sincere praise and appreciation must be accorded the work of the previous Committee on Credit Department Methods, which, under the skilful leadership of C. H. Hoerr of Chicago, conducted experimental and practical work of considerable utility and value in this particular field. Without disparaging the retail merchant as a class and recognizing that many enterprises in the retail merchandising field have displayed peculiar abilities and made notable successes, yet in proportion to the entire number—and they are legion in this country—those needing educational stimulus and a better knowledge of successful merchandising are in the majority and there should be neither reluctance in giving nor in receiving the instruction and ideas which will improve this department of our commerce.

The distributors of merchandise, whether the direct producer or the wholesaler, have not been thoroughly understood by the retailer and no systematic attempts were made until recent years to change this situation and bring together these elements for a cordial and thorough understanding of their respective functions in commerce.

One of the chief reasons in the opinion of your committee why so many retail merchants do not appreciate and apply the rules of successful merchandising is a lack of training in the public schools of the country, resulting in a large number of the youth of the nation being turned out of elementary or secondary schools without commercial training of any kind or without any practical training that would enable them to determine the line of effort to which they should apply their endeavor for a livelihood. It has been discovered that in some of the elementary studies related to or adaptable to commercial life mistaken notions are taught and a glaring one is the method which prevails generally in public school instruction of teaching the pupil how to calculate profit. He is taught to calculate profit on the purchase and not the selling price. This method is defective and the merchant who applies it in a commercial venture will discover soon that his anticipations of a certain profit are not being met, and upon reflection he will discover that the overhead charges of a business

are, of course, calculated on sales, so the necessary profit must be calculated on the selling and not the purchase price of an article.

Your committee believes firmly that the National Association of Credit Men can render the nation no better service than to impress upon the educators of the nation the great and pressing need of giving to the youth of the country some form of commercial training in the elementary and secondary schools. No definitive



A. E. STEVENSON

Beatrice Creamery Co., Des Moines, Ia.  
Chairman, Credit Department Methods Committee

program can be presented in a report conforming with the proper brevity which your committee believes should control this one to be offered to the Chicago convention. Its recommendation, however, of a carefully developed, practical and energetically applied program deserves the adoption and consideration of the officers and directors of the National Association of Credit Men and the incom-

ing Committees on Credit Education and Management and Credit Department Methods.

Believing firmly in the utility and value of getting together under pleasant surroundings for conferences of the wholesale and manufacturing distributors and the retail merchants, the plan of community conferences was very early advocated and suggested to local associations of credit men. The idea of such a conference is to invite the retail merchants within the district of the entertaining association of credit men to a meeting arranged and held under the auspices of the local association, where subjects of common interest may be presented and considered from the respective viewpoints of buyer and seller, debtor and creditor.

It is gratifying to your committee that the suggestion was received very gladly by a number of the local associations and put into practice. We will not narrate in this report the several cities where community conferences were held, but so far as information reached your committee they were uniformly successful, pleasant and productive of good fellowship. The development of this idea should be one of the prominent features of the program of the incoming Committee on Credit Department Methods, and immediately after its organization an appeal made to all the local associations of credit men that during the current year at least one conference of this type should be held.

Nothing was undertaken or accomplished in the way of devising and recommending simple accountancy methods for retail merchants. This was too large a task for your committee to undertake under existing conditions. Responding to the conclusions of the previous committee, it was felt a better plan to develop first a craving for improved methods through an understanding of what such methods could accomplish. This is all preliminary to the production of simple books of account, for unless some preliminary training were furnished, there are many units in the retail merchandising field which would be unable to keep even the simplest books of account with any degree of intelligence or satisfaction.

Mention must be made especially of the department of service organized by the Peoria association. This department was designed for service to retail merchants in the meeting of any problems or difficulties confronting them, and where practical and intelligent advice might save loss or possible disaster. We are unable to indicate how largely this department was availed of by the merchants in the Peoria district, but clearly it was an important undertaking and the Peoria association is deserving of our sincere congratulations and thanks. The St. Joseph association, especially its former president, F. L. Hanush, devoted much study to commercial education in the public schools, and it would appear that the impress of this work will be felt in Missouri. Seattle has also devoted its attention and effort to this department, and deserves our gratitude.

The success of the retail merchant spells a safer commerce for the nation, greater opportunities for the manufacturing and wholesale distributor, and opportunities for the youth of the nation which too few of them at present enjoy.

Certain matters that are taken cognizance of usually in this department were followed casually, but not in any intensive way.

REPORT OF COM. ON CREDIT DEPARTMENT METHODS 603

The tendency to charge interest on overdue accounts has grown rapidly since former committees and associations of credit men generally have recommended it so unreservedly. It is nothing but strict honesty for the debtor to allow and pay interest on an overdue account, and it is prudent and wise for the creditor to charge interest on an overdue account.

Your committee hopes sincerely that this tendency may be developed until the charging and allowance of interest on past-due accounts is a prevailing custom in our credit transactions.

Your committee still believes that pledging and assigning accounts receivable for borrowing purposes without notification to debtor or creditor is an unsafe practice and should in some reasonable, practical way be subordinated to the rights of creditors generally. Your committee desires to express its appreciation of courtesies received of local associations in the conduct of its work, and in conclusion begs to offer the following resolutions:

I

*Resolved*, that the National Association of Credit Men, in convention assembled, recommends sincerely and earnestly the broadening of opportunities for commercial education in the elementary and secondary schools of the nation, and urges the officers and directors of the National Association and the incoming Committee on Credit Education Methods to give every possible support and incentive to the development of these opportunities for the youth of the nation.

II

*Resolved*, that the National Association of Credit Men, in convention assembled, regards with appreciation and interest what has been accomplished for better business in community conferences, and expresses its sincere belief that the cultivation of this idea during the coming year should be proceeded with earnestly and every reasonable effort made to bring together in conference the manufacturing and wholesale distributors and the retail merchants.

III

*Resolved*, that this convention recognizes with deep pleasure the increasing tendency to charge and allow interest on past-due accounts, and suggests earnestly that it be made the prevailing custom of all credit departments to charge and require the payment of interest when payments run beyond the stipulated sales terms.

IV

*Resolved*, that the National Association of Credit Men, in convention assembled, again expresses its sincere belief that the pledging and assigning of accounts receivable for borrowing purposes, without notification to debtor or to creditor, is an unsafe practice, and recommends earnestly that some reasonable, practical plan be evolved by the officers and directors of the National Association and the incoming Committee on Credit Department Methods that will eliminate the secrecy in such transactions and give at least as

effective publicity as that which prevails when other chattels are pledged for borrowing purposes or the security of an existing debt.

Respectfully submitted,

A. E. STEVENSON, Chairman, Des Moines, Iowa.

H. H. BLISH, Sr., Des Moines, Iowa.

J. R. CAPPS, Des Moines, Iowa.

#### VICE-CHAIRMEN

L. K. TALMADGE, Springfield, Mass.

R. B. ROANTREE, Syracuse, N. Y.

E. B. ADAMS, Washington, D. C.

FRED T. JONES, Cleveland, Ohio.

GEORGE P. MILLARD, Peoria, Ill.

F. L. HANUSH, St. Joseph, Mo.

J. H. MANGUM, Memphis, Tenn.

J. A. JONES, Salt Lake City, Utah.

W. J. HENDERSON, Portland, Ore.

Each resolution was read by Mr. Ray and adopted by the convention, after which the report as a whole was adopted. (Applause.)

The report of the Committee on Commercial Ethics, H. A. Sedgwick of Duluth, Chairman.

#### Report of Committee on Commercial Ethics

GENTLEMEN:

*To the Officers and Members of the National Association of Credit Men:*

Your Special Committee on Commercial Ethics has proceeded cautiously to the building up of additional canons of commercial ethics, recognizing that this department of the National Association of Credit Men is novel, and that unless its purposes were well served and adequately understood there would be a falling short of that appreciation of ethical standards in commerce which, in the final word, possess an importance equal to ethical standards in the professions.

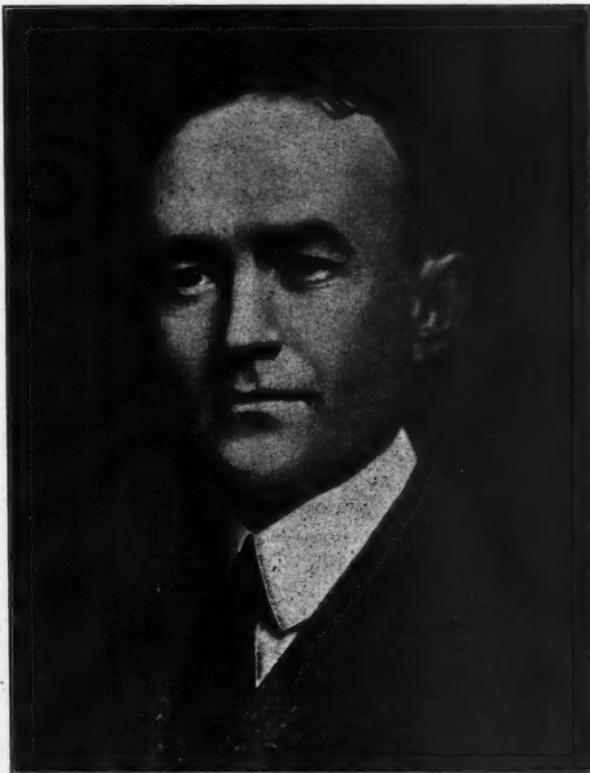
Your committee can recognize no difference in the relations of business men to one another from the relations among professional men, and feels that there may be a stronger reason for setting high standards for commercial practices than may be needed in other lines of human effort.

After reviewing the entire field and conferring with the several units of the committee, it was thought the subject of interchange in its ethical phases should be presented to the business world in a canon of commercial ethics. Adhering to this conviction, after a thorough interchange of views concerning the manner of its presentation, there resulted the tenth canon of commercial ethics, which your committee feels it a great privilege to present:

"Our credit system is founded on principles, the underlying elements of which are cooperation and reciprocity in interchange. When ledger and credit information is sought and given in a spirit inspiring mutual confidence, a potent factor for safety in credit granting has been set at work.

"The interchange of ledger and credit information cannot fulfill its best and most important purposes unless guarded with equal sense of fairness and honesty by both the credit department that asks for the information and the credit department that furnishes it.

"Recognizing that the conferring of a benefit creates an



H. A. SEDGWICK

Marshall-Wells Hardware Co., Duluth, Minn.  
Chairman, Committee on Commercial Ethics

obligation, reciprocity in the interchange of credit information is an indispensable foundation principle; and a credit department seeking information should reciprocate with a statement of its own experience in the expectation of getting the information sought; and a credit department of which information is sought should respond fairly and accurately because the fundamentals of credit interchange have been observed in the manner the request was made of it.

"Failure to observe and defend this principle would tend to defeat the binding together of credit grantors for skilful work—a vital principle of the credit system—and make the offending department guilty of an unfair and unethical act."

Sincerely believing that the action of your committee in desiring to elevate the standards of credit interchange will have the sincere and complete endorsement of this convention, your committee in conclusion begs to offer the following resolutions:

### I

*Resolved*, that the National Association of Credit Men, in convention assembled, registers its complete and cordial approval of the tenth canon of commercial ethics and earnestly suggests that wide publicity be given to it and that the standards of interchange which the canon establishes for credit departments should be earnestly sought and developed.

### II

*Resolved*, that the convention approves heartily what has been accomplished by the Special Committee on Commercial Ethics for the building up of canons of commercial ethics and authorizes a continuation of the committee.

Respectfully submitted,

H. A. SEDGWICK, Chairman, Duluth, Minn.

MARK BALDWIN, Duluth, Minn.

S. D. FISHER, Duluth, Minn.

### VICE-CHAIRMEN

BERT EVANS, Clarksburg, W. Va.

J. H. COX, Quincy, Ill.

G. S. JOHNSON, Davenport, Iowa.

WILLIS DAVIS, Wichita, Kans.

Each resolution was read by Mr. Sedgwick and adopted by the convention, after which the report as a whole was adopted. (Applause.)

MR. SEDGWICK—Might I make a suggestion? Mr. Tregoe, in his thoughtfulness, has prepared the new canon in a little leaflet. Possibly some of you have received it and have read it, but it has been suggested that when credit inquiries come to you which are not on the regular form adopted by the Association, in place of answering the inquiry you fold this little leaflet and slip it in the envelope with the inquiry, returning it to the sender and thereby calling to his attention in a forceful way some of the principles which we have tried to bring out in this canon.

Adjournment.

### Night Session, Wednesday, June 19, 1918

The convention was called to order at 8:30 by President Whitlock.

PRESIDENT WHITLOCK—The first matter on the program will be the report of the Committee on Adjustment Bureaus by C. J. Mulvey of Chicago, chairman. (Applause.)

### Report of Adjustment Bureau Committee

*To the Officers and Members of the National Association of Credit Men:*

GENTLEMEN:

Your Committee on Adjustment Bureaus has, during the year, been giving its subject careful study and feels justified in stating that on the whole the condition of this important branch of our work and the progress it has shown during the year is favorable.

The lack of information and understanding on the part of our membership generally as to the Adjustment Bureau service, its plan of operation, its work and value and the consequent failure of a large percentage of our members to use the bureaus intelligently has often been referred to in these annual reports and your committee finds that the improvement hoped for in this respect has not been realized to the extent that it should be.

In localities where members give their cooperation and support, the results obtained are highly satisfactory and it is the opinion of your committee that the time is ripe for a more extensive educational campaign to the end that our members may realize the great possibilities. This we find has already been done in many localities through educational meetings, discussions at local gatherings and by publications.

To carry this suggestion out it is needful that the local committee be in thorough sympathy with the proposition and in position to devote the necessary time for publicity as well as supervision of the bureaus themselves. This division of our work is one of the greatest in importance among our many bureaus and in handling peculiar cases and conditions of affairs it is imperative that every safeguard and precaution be thrown around bureau operations and this duty devolves upon the local directors and committees directly in charge.

The bureau plan, when properly supported, offers, in the opinion of your committee, a most feasible way of handling involved estates to the best advantage of both creditors and debtors alike and eliminates all unnecessary costs and fees and avoids the very small distribution which often results when interested creditors do not act unitedly. Even in cases of bankruptcy much litigation and delay is saved under the plan with the corresponding increase in the matter of dividends.

Your committee reiterates the principles laid down by its predecessors that bureaus should not be operated primarily for profit, but that if profits accrue they are to be used for extension work, for prosecution of fraud cases or other association activities.

It is also, in the opinion of your committee, advisable that those directly in charge be bonded and that the bureau management should

not be burdened with the problems of financing the work. It is likewise essential that the accounts of the bureau be audited at least semi-annually by a chartered accountant and that copies of the audit be filed with the National office and with the board of directors of the local association.

In bankruptcy matters it has, in a number of instances, been found advantageous that the bureaus have standing authority from the members to automatically represent them in such cases. Such a plan materially expedites matters and assures the appointment of satisfactory trustees and avoids harmful litigation with its attendant expense.

The thought is offered that if this automatic bankruptcy service can be made universal to the end that when a local bureau found a case in its district wherein national members were interested the latter's interests could be looked after until such time as the creditor saw fit to give formal consent or take such other steps as might be determined.

The annual convention of managers of adjustment bureaus took place in St. Louis last January and was the occasion of a most helpful interchange of opinion on various features of bureau work. There was a spirited discussion of many topics relative to the organization and operation of adjustment bureaus and while it was found that there is still a lack of uniformity, due largely to local conditions, it is the belief of your committee that if local committees perform the functions devolving upon them in supervising the management and the operation of the bureaus, causes for complaint will be eliminated and splendid results obtained which will redound to the credit of our organization.

As is customary, the deliberations of the managers' conference were summed up in the form of resolutions too voluminous to insert in this report, but which appeared in full in the February issue of the Bulletin, where, no doubt, they were read by all our members.

Your committee is further of the opinion that it would be advisable to have a certain amount of supervision from the National office so that proper coordination may be obtained and also a uniformity as to method and action, this to be handled, however, in such a way as not to interfere with local control and supervision of each bureau.

Your committee desires to emphasize the fact strongly that at this period in our national life when our beloved country justly demands that every effort be directed towards conserving resources and energy the adjustment bureau plan offers business machinery of high efficiency in handling the affairs of bankrupts and insolvents.

Your committee is indebted to the managers of each bureau, the local association officers and our secretary, Mr. Tregoe, for valuable assistance during the year just closed.

In conclusion, the following resolutions are offered:

I

*Resolved*, by the National Association of Credit Men, in convention assembled, that the Association's Adjustment Bureau plan

offers a practical and sane way of handling embarrassed and insolvent estates and that the bureau service should be encouraged by the members giving their cooperation at all times.

II

*Resolved*, that the annual conference of adjustment bureau managers, held in January of each year, is important as pointing to



C. J. MULVEY  
Lyon & Healy, Chicago, Ill.  
Chairman, Committee on Adjustment Bureaus

the way of progress and as preparing the ground and meeting new conditions as they arise; and it is recommended that these annual conferences be continued.

*Resolved*, that every effort be made to place the Adjustment Bureau service before the business public both through the national and local committees on business literature as well as through various educational meetings, to the end that the plan may receive broad support and cooperation.

Respectfully submitted,

W. E. SHOEMAKER, Chicago.  
A. G. BENNETT, Chicago.  
W. D. HARVEY, Boston.  
R. H. SCUREMAN, Kingston.  
CHAS. D. CARR, Augusta.  
P. W. FEILBACH, Toledo.  
W. W. EDWARDS, Oklahoma City.  
WM. ORGILL, Memphis.  
W. N. NOBLE, Sioux City.  
W. F. TETER, Sioux City.  
ARTHUR PARSONS, Salt Lake City.  
HENRY W. LOUIS, Los Angeles.  
C. J. MULVEY, Chairman, Chicago.

The report with resolutions was adopted by the convention as read.

PRESIDENT WHITLOCK—Now the members have the opportunity to grill the chairman of the Adjustment Bureau Committee in any way that they desire. Do not hesitate to take advantage of the opportunity.

J. P. GALBRAITH, St. Paul—Mr. Mulvey, I presume that the committee has done a good deal of work on this report and has made considerable investigation before the report was made. Is that true?

MR. MULVEY—Yes.

MR. GALBRAITH—And you have come to the conclusion that the adjustment bureau is a good institution?

MR. MULVEY—Yes, most certainly.

MR. GALBRAITH—You say a bureau can handle an estate to better advantage than an individual can handle it?

MR. MULVEY—I would say so in the majority of instances.

MR. GALBRAITH—Why?

MR. MULVEY—For one thing, because of the experience in handling the machinery of adjustments. The individual has other affairs to look after and cannot give the attention which an adjustment bureau can give.

MR. GALBRAITH—You say a bureau can handle a matter better because that is its business and an individual ordinarily has other matters to look after. Do you not think that once in a while a business man has had such wide experience and is so successful a business man that under those circumstances he can handle an estate to better advantage than a bureau? For instance, the bank on the ground, the banker or business man? Do you not think the man on the ground has an advantage over a bureau?

MR. MULVEY—He might in some instances, provided he give the time and attention it requires.

MR. GALBRAITH—The position you take is that the business man that has the ability to handle a matter of that kind has some other business to attend to and he is likely to attend to his own business rather than the business of the bureau? Do you think it increases a man's efficiency or ability to call him a bureau? (Laughter.)

MR. MULVEY—I think it better to have some of the bureau managers answer that.

MR. GALBRAITH—Then the idea of the National Association is not to place an individual in an office and call that individual some bureau? It is to create an organization which is to handle the business of the credit men? Do you think that a man of ordinary ability, if he follows that work for a considerable time, can do the work better than any one else?

MR. MULVEY—He probably would perform the duties better than a man who is engaged in other lines of business and has other things to attend to at the same time.

MR. GALBRAITH—In other words, the banker has his work to do, the credit man has his work to do and gives only a portion of his time to liquidation?

MR. MULVEY—That is right.

MR. GALBRAITH—I do not know of anything else I want to ask the witness; he seems to be pretty well posted. I think the committee must have made a thorough investigation, otherwise they would not know so much about the efficiency of bureaus throughout the country. (Laughter.)

M. JOANNES, Green Bay—Certainly our bankruptcy laws are to be avoided every time an accident occurs and if these adjustment bureaus are intended to save the creditors from disgrace, something must be done to change the state of affairs where the result is always in favor of the bankrupt except what the attorneys get. The reason why there are so few bankruptcy cases now is because as soon as trouble arises the creditors get together and see if they cannot handle the trouble without bankruptcy controlling. I say our present bankruptcy activity is bad because it does not serve anybody except the bankrupt and the lawyers. If this bureau is intended to take the cases that the creditors claim and handle them without the least expense for the best interests of the creditors, let us place our accounts with this bureau. (Applause.)

The trouble is, when failure occurs the bankrupt has already many claims in the hands of attorneys and those attorneys generally represent collection agencies. They are working for themselves. It is seldom that those attorneys will work for the creditors, although at the time the accident occurs they have claims in their hands representing the creditor. They flop over, however, in a minute if they get the claim and get it fixed up. Why? Because they have a job and get the fees, but they are working for the bankrupt. If this bureau will step in and we can avoid placing our accounts in the hands of the attorneys, let us work with the bureau, let us give it work to do, let us give it something so that

it can give us service. I certainly recommend supporting this bureau. (Applause.)

J. P. KELEHER, San Francisco—Mr. Mulvey, in the report of the bankruptcy committee this morning I noticed that there was a recommendation that solicitation of all kinds with respect to securing the cooperation of creditors in bankruptcy cases be done away with. Do you approve of the recommendation of that committee as applied to adjustment bureaus?

MR. MULVEY—How are you going to get cooperation unless you bring the facilities of the bureaus before the creditor?

MR. KELEHER—I do not think you can; that is what I am asking. If you had a Chicago case and it so happened that there were only \$5,000 worth of claims in Chicago and they are all represented in the bureau and you had \$20,000 outside of Chicago and it was a case of the Chicago bureau having the control, in order to carry out the wishes of the creditors, how could you control the case without solicitation of these outside claims?

MR. MULVEY—It seems to me you would have to do that. In the first place, you get hold of your debtor, find out who he is owing money to, then offer the plan of the adjustment bureau to the creditors as revealed by the debtor's statement.

MR. KELEHER—Would you not also, in soliciting those claims, have to state to the creditors that your representation of their interests would be without charge?

MR. MULVEY—You mean without any charge whatever?

MR. KELEHER—Yes.

MR. MULVEY—How are you going to support your bureau? Would not the creditors that you solicited be sufficiently educated to know where your compensation would come out of the case by controlling it?

MR. KELEHER—Compensation, of course, comes out of the estate, which means out of the creditors in less dividends. It will cut the dividend to that extent.

CHAS. COMPTON, New York—I would like to call attention to a case down south that came out recently. Investigation was first started by the Baltimore association, which addressed communications to creditors all over the United States. Investigation fore stalled a settlement that had been suggested and the debtors were landed in jail or were indicted, and we will get our satisfaction or what is coming to us in a far better shape through this system with Brother West's assistance than would have come in the regular way without the assistance of the adjustment bureau.

As time for closing discussion was reached, the report as a whole was adopted. (Applause.)

PRESIDENT WHITLOCK—The next committee to report, according to our program, will be put forward to to-morrow and we will substitute in its place the report of the Committee on Business Literature, H. A. Stanton, Worcester, Mass. (Applause.)

### Report of Committee on Business Literature

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

The war has had its effect upon the Business Literature Committee in two ways; first, by increasing to unheard-of figures the cost of paper and print, and second, by creating brand new, highly difficult credit conditions, which, of course, have given rise to many articles and discussions on subjects in which the credit man must be informed; so that between the increased price of manufacture on the one hand and the increasing material seeking space on the other, a real problem has been presented.

Furthermore, the government has most properly, of course, invited all publications to lend their aid in impressing upon subscribers and readers its financial necessities, and again, in urging upon individuals and groups of citizens what they must do to expedite the winning of the war. The Bulletin has devoted much space to this sort of material. It would, indeed, have been most unappreciative of its place in the business world if it had been less generous than it has been in the allotment of space to the government.

The connected activities of the war, and indeed, almost a part of it, such as the Red Cross and similar activities, have appealed for space in which to set out their noble work and the claims they have upon the services and assistance of the people. The Bulletin has, of course, met all these demands in that liberal spirit which, as it felt, the members would have wanted and urged, if they had all been able to speak.

The war, as long as it lasts, and indeed, much longer, will continue to claim the first place in the thought of the Bulletin. The fact that the daily activities of credit men are controlled in a very real sense by the war, colors nearly everything that goes to make up the credit man's publication and the subject of the war will continue to run through it all the while.

It has been the special desire of the Bulletin to get its members to project their minds into the future and determine fully to their own satisfaction the changes that are to be wrought in business as a whole and in the business they happen to be engaged in as the war progresses; for clear foresight is indispensable in every business if that business is to go along with this war and not to be side-tracked and made helpless by lack of credit facilities, materials of manufacture or the ability to make shipments. And again, it is necessary to project the mind into the period which shall follow the war and foresee so far as our best thinking and reading make possible what that period will mean to business in general and our own in particular; and so the Bulletin is trying to help along these lines.

Again, the committee has observed that there are times when a man must lose himself in order to find himself, and these are such times, for as surely as he tries to conduct his affairs selfishly and as if the country's very existence were not at stake, his troubles

multiply and the doing of business becomes unbearably difficult. The Bulletin has quietly tried to get this thought home for the safety of the man himself, and with the thought in mind also, that when these troublous days are over and the greatest conflict humans ever engaged in is done, it will be good for business if we can look back upon a clean record of devoted service on the part of business men.

The Bulletin began at the outset of the war to help men clarify their minds in these respects, keeping before it, of course, the fact that in the final analysis each man must solve his own problems, in the light of the big demands being made upon each.

The committee has been considering carefully how the Bulletin may be made to exert a wider influence upon credit thought and reach more particularly the younger aspirants in credit departments, and also those who would like to be informed on the latest ideas in credits and collections, but so far as being credit men is concerned, are on the border or fringe of genuine credit work.

We find ourselves restricted because our publication is primarily the organ of an association, and the impression that it is such, will pursue us as long as our publication goes under the name "Bulletin." Our Association, now that it has attained such dimensions, wishes to exert its influence outside of our membership. It has ideas that it wants to get across not only to the members, but to many others who ought to be interested. It treats in general of a subject of universal interest, namely, that which goes to make up sound credits, and while we would not have the Bulletin less representative of the Association than now nor diminish its powers as a spokesman for the Association and all its activities, we would have the general articles and wholesome credit ideas it presents directly available to those who are not primarily credit grantors.

There are members who have urged the introduction of some of the modern habiliments recently adopted in magazines for the purpose of catching the eye and giving the readers who are in the habit of glancing over magazine pages a better running idea of what the issue contains. All these things, including also the question of typography, are important and should be given careful consideration and thought, of course, the question of cost involved not being left out. Considerable data on these subjects in the form of suggestions have been gathered together by the committee and have been turned over to the National office. Your committee's suggestion is that the National office be asked to consider this whole subject seriously and be prepared to present to the Board of Directors, at its meeting in September, recommendations on the subject of new title and new dress for the Bulletin, presenting the data in such form that the whole question will come down to a matter of policy when it reaches the Board.

The Association has secured for its activities wider newspaper publicity this year than in any previous year, especially for its pronouncements regarding business policies arising out of the state of war, also for investigation and prosecution work, and again, for the services in developing the acceptance principle.

Our First of the Month Letter continued to hold its important place and the influx of mail which comes to the National office in

response to this letter indicates that this letter is generally read and appreciated.

The Credit Man's Diary again scored a success in the issue of 1918 and that it is appreciated as a help to credit departments was indicated by the fact that from 300 to 400 orders beyond the limits of the edition were received.

Through the year also a vast amount of general literature was



H. A. STANTON  
— Norton Co., Worcester, Mass.  
Chairman, Committee on Business Literature

distributed, all carrying just so far as possible to the people we particularly desired to reach the credit man's message of safer and sounder credit extensions and relationships.

Altogether it has been a year when the credit man has had the readiest hearing and the most appreciative audience for his work and ideas that he ever enjoyed. Business men, whether of small or large interests, have probably grasped more readily this year than ever before an understanding of some of the most important funda-

mentals of finance and credit. Satisfied, many of them, to skim along and have but the most superficial knowledge of business fundamentals, they now better understand how these fundamentals underlie the whole business structure and how the effects of bad practices and narrow thinking as to one's own business are passed along and act as obstacles to constructive business in a surprisingly wide circle. For instance, we hear less nowadays the remark that so and so is a banking problem, not a business man's problem, the remark carrying the erroneous inference that it made no difference to those immediately engaged in manufacture and trade how the banker's problem was solved.

Let us remember that without a grasp on business fundamentals we shall never be prepared for the gigantic demands upon us that are to follow the war. Credits must be broadened beyond anything we have yet appreciated in this country and yet withal put into more liquid condition than heretofore and our Association must not let the leadership in this forward movement be taken from it. The Association's leadership and literature must be actuated and inspired by visions, clean, definite, and having their basis on sound practice and logic. Then we shall perform for our country a service so great as to win the respect and the unrestrained cooperation of the best elements in all departments of service.

The committee offers the following resolutions:

### I

*Resolved*, that the National Association of Credit Men, in convention assembled, recognizes that the Association is known to the world at large mainly through its literature, and it is therefore of supreme importance that this literature be maintained at the highest standards, and that the literature department should be given every reasonable facility to make its work representative and effective.

### II

*Resolved*, That the National office be asked to prepare, based upon suggestions received by the Business Literature Committee from members, a schedule of changes in dress and title for the Association's monthly publication, with a view to giving it the stamp of a magazine which shall serve a wider circle of subscribers than is contained in the membership rolls of the Association, and present the same to the Board of Directors at its fall meeting, the Board to have power to make such changes as it deems will serve best the Association's purposes and the causes for which it stands.

### III

*Resolved*, that this convention expresses its deep satisfaction in having been able to serve the government through its publications by presenting the government's pronouncements on questions relating to business and what the government desires of business men for the better conduct of the war, and here gives such authority as may be required to continue this form of service for the government as occasion arises.

REPORT OF COMMITTEE ON BUSINESS LITERATURE 617

Respectfully submitted,

H. A. STANTON, Chairman, Worcester, Mass.  
HARRY C. COLEY, Worcester, Mass.  
FRANK KILMER, Worcester, Mass.

VICE-CHAIRMEN

FREDERICK P. CRANE, Newark, N. J.  
HERBERT E. CHOATE, Atlanta, Ga.  
C. C. HENKING, Huntington, W. Va.  
A. B. MERRITT, Grand Rapids, Mich.  
ERIK KREIDER, Kansas City, Mo.  
ERNEST S. MEYER, Montgomery, Ala.  
E. G. EVANS, Lincoln, Neb.  
CHARLES F. ADAMS, Boise, Idaho.  
E. S. GILL, Seattle, Wash.

The resolutions were adopted.

L. S. ALLSTRUM, Los Angeles—I question the advisability of changing the title and dress of the monthly Bulletin. We have come to know the Bulletin by its appearance and by its title. Large corporations of this country have spent hundreds of thousands of dollars to dress their goods in a certain fashion and by that trademark they are known all over the United States. The Bulletin has become known by its color and its title and I think that it is a mistaken policy to change that dress at this time. We know by the cover just what it is and I think we should continue in the same line.

L. J. BERGMAN, Syracuse—I would like to offer a suggestion that the matter of the Bulletin feature what the meetings are going to be in various local association cities, assuming that the associations have a meeting every month. For example, let us assume that the October meeting of a certain association is under the auspices of the Fire Insurance Committee, the September issue of the Bulletin should feature matters pertaining to that committee and that committee's work.

It seems to me that the matter in the Bulletin is miscellaneous, haphazard, does not follow any line and if the work of the Association were followed, taking it up committee by committee, it would considerably improve the matter in the Bulletin and the committees' work throughout the Association.

MR. STANTON—Your committee feels that during the coming year the most important topics should be taken up in the Bulletin, that is, the subjects that are uppermost in our minds and in regard to the reports of the local associations, personally, I think they can be temporarily dispensed with.

F. R. HAMBURGER, Detroit—I do not understand that the adoption of the second resolution authorizes the Board of Directors to make any change that is contrary to their judgment and I believe that this is the proper time to make suggestions as to whether or not this convention would desire to have the board make such a change. I can understand, if I caught the language correctly, the changes will be made (if they are made) in accordance with sug-

gestions that were recently invited by the National office, and I want to make this suggestion:

I agree with the member from Los Angeles that we ought not to make any change in the form of the Bulletin. It has been coming in this form for a great many years, I believe for perhaps fifteen or eighteen years, during my membership in the Association, and perhaps a little longer. It is a sort of a trademark bulletin and it ought not to assume the spectacular appearance of a magazine. It is a business production and I think that the form, while its contents might be changed and perhaps improved, the form should remain as it is to-day. (Applause.)

MR. PAVEY, Indianapolis—It would seem to me that some of the members in the audience ought to move to reconsider their action on the vote of the resolution, because they voted to have a committee do certain things. They are now opposed to it. If they are not in favor of leaving it to the board and do not want a change, they ought to have voted against the resolution and now ought to move for a reconsideration.

We will all admit the Bulletin is a wonderful magazine. It is a true magazine, one of the best in the country. It has more to the square inch than any other that you can pick up and it is of more value, more education and more interest and has more in it to make a man grow than any other magazine or bulletin or leaflet that is put out in the United States to-day.

A. G. BENNETT, Chicago—As I interpret the resolution that was adopted, it means that suggestions will be received. Therefore, I wish to make the suggestion that the Bulletin, whatever be done, be not so changed in size as to make it impossible to slip it in the coat pocket and then carried home and used on the train. I believe that is a practical consideration.

H. A. SEDGWICK, Duluth—I would like to ask the chairman what he means by "important topics." I agree with this member over here regarding the Bulletin, that it contains more to the square inch than any other magazine. I am not so concerned about what is done to the outside or to the cover, but I hope that we shall leave the inside alone. It is well to let well enough alone and if it continues in the future as it has in the past, I think the majority of the credit men, members of the National Association, will be fairly well satisfied.

I would like to ask the chairman what he means by "important topics." In suggesting that we have "important topics" in the Bulletin, what do you mean?

MR. STANTON—Mr. Sedgwick, when your committee spoke of important subjects we spoke of important subjects in the broad sense. There is a lot of subjects coming up nowadays that we put in the Bulletin but briefly, that we cannot get in there to-day. It is not the idea of the committee to change the dress of the Bulletin so far as the size and topics discussed are concerned, but the committee objects to the three or four pages of advertising before the index, they do not like the type, thinks a better arrangement would be two columns instead of one, thinks that the talks that are presented are excellent, as you and I do, but that they can be cut down

considerably although it is rather difficult for Mr. Orr, the editor, at times to cut up an article that a subscriber sends in.

It is not the thought at all to change the Bulletin so that it will not be convenient to carry in your pocket, but there are some changes that have been suggested, and mind you; these suggestions come from members at large through the entire United States and your committee has offered these suggestions and the resolutions to the Association and to you for your consideration only.

MR. BERGMAN—What, in your opinion, is the function of the Bulletin?

MR. STANTON—Why, the Bulletin is primarily an organ from the National office. It contains the thoughts and ideas and suggestions and other matters pertaining to the more important, the more pertinent credit topics of the day, the thoughts of the big men in credit granting that you and I do not have an opportunity to hear from, that can be placed in that book and brought before you monthly. It has a broadening influence and I cannot speak too highly of it personally, so far as its functions are concerned.

A. W. HARTIG, Evansville—I would be opposed to changing this bulletin in any manner, cover, style or size, and I believe in place of cutting the Bulletin down, we should get everything into it that we possibly can, that will be of benefit to the members of the Credit Men's Association. I look through the Bulletin every month when it comes; I go into it for information. Let that Bulletin be a report of any activity that this Association may have done at large, make it better, if possible, for the benefit of its members. That is what the Bulletin is for, is it not, to educate your members?

MR. STANTON—Absolutely.

MR. HARTIG—Do not make it too serious or too dry, let a little wit go with it. A little humor will not hurt it.

WILLIS DAVIS, Wichita—I have one suggestion to make, that if we make any change in the Bulletin, we should have more of Harry Tregoe's sermonettes. (Applause.)

R. G. ELLIOTT, Chicago—I would like to ask the chairman whether it is his idea that the Bulletin should be made a magazine for general circulation.

MR. STANTON—No, not for general circulation, not for sale at the newsstands.

MR. ELLIOTT—You say to give it a wider circulation, serve a wider circle of subscribers. Is it your idea to take subscriptions outside of the Association membership?

MR. STANTON—No, I do not think that is what we intended to convey. When we speak of a wider circle of subscribers we mean more prospective members into whose hands we can place this Bulletin as one of the real good things that the Association does.

MR. ELLIOTT—Then it would be your idea to publish extra copies to be used for membership purposes.

MR. STANTON—Well, when they publish the Bulletin monthly

they would necessarily have to print a surplus supply to take care of these people, yes.

MR. ELLIOTT—But not to put additional names on the regular mailing-list?

MR. STANTON—That is not the intent.

MR. ELLIOTT—It is not the idea to solicit subscriptions and go into the magazine publishing business.

MR. BERGMAN—I was not satisfied with the answer the chairman gave me. I had another one to ask.

MR. STANTON—You mean in connection with the function of the magazine?

MR. BERGMAN—Yes. What functions are the Bulletin intended to perform?

MR. STANTON—I have answered that as well as I can, by repeating what I have said. I cannot go further. I will take your other question now.

MR. BERGMAN—Does it perform that function? (Laughter.)

SECRETARY TREGOE—Mr. Chairman, I want to ask you a question that has been on my mind, if you will permit me. You have heard a great deal about the Bulletin to-night from the members. You have heard from Mr. Pavey of Indianapolis that it was a builder-up of character, capacity and capital to the credit man. Will you venture a guess as to how many of the members, the members of the Credit Men's Association, read the Bulletin from cover to cover? Guess.

MR. STANTON—From the reports that we receive from the Association, there is not 50 per cent. of the members of the Association who read the Bulletin from cover to cover.

(By show of hands, about 10 per cent. present do so.)

PRESIDENT WHITLOCK—I think that the time is up for the discussion of this subject, but the matter can be safely left with the Board of Directors, to which it goes for the proper action on the Bulletin.

O. WATLING, St. Louis—But then it ought to go to the Board of Directors from this body here assembled correctly understood.

The report was thereupon accepted by the convention.

PRESIDENT WHITLOCK—The next will be the conference subject, "Some New Features Such as War Taxation That Must Be Reckoned with as Determining Factors in Credit Granting," led by R. D. Wilson of Omaha, Neb., and Elmer W. Stout, Indianapolis, Ind. (Applause.)

#### CONFERENCE SUBJECT

### "Some New Features Such as War Taxation That Must Be Reckoned with as Determining Factors in Credit Granting"

By R. D. WILSON, Omaha

Since we met in annual convention in Kansas City a year ago there have been appearing and developing many new conditions affecting industry and commerce, and most of them have their

origin as a direct or indirect result of the war in which we are engaged. Not a few of the new problems which confront us are of such a nature and scope that they must be recognized as of sufficient importance to be, at times, determining factors in credit granting.

Before considering any of the specific conditions with regard to their effects, let us consider briefly the causes which have produced them, the length of time during which they may be expected to exert an influence, and the patriotic duty of each of us with respect to the war wherein they have had their inception.

We are, and have been, a most peaceable nation. Our standing army was, until a few months ago, the smallest of any large nation in the world, and in fact was smaller than several whose populations are almost insignificant in comparison with our own. Our northern border, more than three thousand miles long, to this day is without a single fortress. We have had no system of universal military training, and as a nation have given little heed to talk of wars and preparations for them. We have, until very recently, fancied ourselves so far from the military nations of Europe that we were securely immune from any danger from that source.

We have, on the contrary, followed peaceful pursuits. Our immense industrial output consisted almost entirely of articles designed for peaceable purposes, and we have assiduously bent our energies for many years to the development of industry and commerce, with an utter disregard of military preparedness, our only considerable outlay being for the navy.

At the time of our entrance into this war we faced the necessity of throwing the full weight of this nation into the struggle in order that the result might be decisive. This was a tremendous undertaking and one requiring the efforts of all of our people. How well they have responded is shown by our accomplishments in the past year.

We have, according to the War Department, eight hundred thousand men in France, and no doubt there are twice as many more in the training camps in this country. These men have had to be equipped, as will a great many more. We have introduced the most enormous naval and shipbuilding program ever undertaken, and thousands of factories that never made anything but instruments of a constructive nature have been called upon to equip themselves to manufacture munitions of war and supplies in huge quantities.

The vast railroad system of our country has been pressed into the national service, and it is under the most tremendous strain in handling the burden of freight that is being reduced to the most essential service only. These are but few of the things that have been done to marshal all the resources we possess in men, industry and wealth in order that this war may be prosecuted to a successful conclusion at the earliest possible time.

The purpose of our nation at this time is one that is paramount to any cost and must be accomplished no matter what the price. The expense of the Government during the year ending June 30, 1918, excluding loans to Allies, has been in the neigh-

borhood of twelve billion, five hundred millions dollars, and it is estimated by Secretary McAdoo that for the coming year the expense will be about twenty-four billion dollars. We have already had three bond issues, aggregating almost ten billion dollars, and we must also raise in voluntary contributions for the Red Cross, the Y. M. C. A., etc., in the next year or two many millions more.

The occupation of the nation has been altered almost over night, and it is not to be expected that the many changes taking place will fail to cause readjustments to industry and commerce, and we may be sure that there will be a disturbance in certain lines of business during this period. There will arise new conditions to face, and every one must measure up to the duties that are expected of them.

The manhood of the nation has responded to the need in the most inspiring manner, and we all know that we can depend upon our boys, who will do the fighting, to do their share with courage and devotion. Commerce must and will do the same, and has already recognized that a duty has been placed upon it to attain that high degree of efficiency which will enable it to meet the vast obligation that must be placed against it in the form of financial support or taxes, and at the same time to keep the general condition of the country so financially prosperous that our people may absorb the gigantic bond issues that are yet to come.

Among the new conditions that must be met by manufacturers and wholesalers in order to enable them to do their share in the large work in which all must have a part, perhaps the most important is the matter of war taxes. As credit men, we must study the question closely to ascertain to what extent war taxes are to be reckoned with as determining factors in credit granting.

War conditions are responsible for a great fiscal problem that must be solved by the bankers of the country. How are they to finance private business without competing with Government monetary requirements? The demand for capital is greater than at any other period we have experienced, owing to the general business activity, and at the same time the Government's demand for money is unprecedented. The Government requirements must be supplied, and as a result many a private business is going to experience difficulty in obtaining the funds needed under new conditions.

The mercantile agencies have been compiling annually, for many years, statistics regarding the causes of business failures, and their figures indicate that during a long term of years more failures are attributable to lack of capital than to any other cause, and that, in fact, more than one-third of all the failures are attributable to this cause. It is unquestionably true that in a large percentage of such cases failure could have been avoided had it been possible for the unfortunate business man, at the time of need, to turn into cash, at a fair value, certain of his assets. It follows, therefore, that a considerable percentage of business failures are due to the fact that the liquid capital employed was too small in proportion to the whole. The business man had failed to realize that for his protection it was necessary for him to anticipate maturing obligations and to prepare for the coming burdens that could be discharged only by liquid funds.

It is in connection with the depletion of liquid capital that is sure to result among a certain class of firms as a result of payment of income and excess profits taxes that we see the principal danger of financial trouble. It has been argued that any concern whose profits have been such that it is called upon to pay income and excess profits taxes should be able to pay them without embarrassment, and yet unless such concern has made the proper provisions for the payment of these taxes when due the consequence may easily prove serious.

Consider for a moment the vast sum that must be paid in war taxes, and judge whether or not it is of sufficient importance to receive the careful consideration of every business which is to stand a part.

According to revised estimates reported May 15 by Secretary McAdoo, in compliance with a request for specific information, the revenue receipts in the fiscal year ending June 30 will reach about \$4,095,699,000, which sum the American people will contribute directly to the Government, mainly in taxes, for the prosecution of the war. The report shows that about one-third the expense of the war has been met by taxation and two-thirds by Liberty Bonds. Also, that about \$2,775,168,000 will be collected on the basis of income and excess profits tax returns, on file May 4.

It will be seen that the revenue expected from income and excess profits tax is a little more than double the revenue from all other sources combined. Early in this year Secretary McAdoo estimated the income tax expected in comparison with the excess profits tax, and if the same proportion holds good at this time the income tax revenue will amount to about \$1,373,300,000, and excess profits tax about \$1,401,885,000.

June 15 was the date set for the payment of income and excess profits taxes, and according to the Treasury Department only five hundred million dollars had been paid on June 10th, leaving \$2,275,000,000 to be paid in a period of five days. When it is realized that on May 1 of this year the total amount of money in circulation in this country amounted to only \$5,318,547,000, it will be seen that the payment of income and excess profits taxes represents an extremely heavy movement. This in itself is no cause for concern, as it, for the most part, means a transfer of credits, and with the Federal Reserve System in operation this transfer can be carried out without the disturbance that might very possibly occur otherwise. It does mean, however, that it is one more strain that the banks must help to bear, and it comes at a time when they are preparing to meet the Government's monetary requirements first.

We may expect to find that there have been many concerns who have utilized every opportunity to raise cash at the last minute for tax purposes, thus reducing their liquid assets, in some cases, to the danger point. They will consequently find it impossible to care for maturing obligations when due and it will be a period of great stress for them and of danger for their creditors. It is not to be expected that any large percentage of concerns will be even temporarily embarrassed, due to taxes, but even a very small percentage might cause considerable loss to their creditors.

Within the past year many firms have been very prosperous and have felt that, from a patriotic standpoint, they should conduct the business with confidence in the future, and their prospects have led them to expand to the point where all their earnings, or a major portion of them, have been invested in permanent assets. Then, too, there has been an ever-increasing amount invested in stock, etc., due to increasing prices and growing volume. It is no doubt a fact that vast numbers of concerns made no attempt to compute their income or excess profits tax until after the first of January or February, and were surprised to find at that time how large was the tax they would be required to pay, and in many cases permanent investment of the profits had already been made, and even then they did not realize that adequate provision for funds must be made in order to meet the unusual need.

There is a class of smaller merchants who do not keep an adequate accounting system and who set aside no reserves for any purposes, and many of these may be expected to be hard pressed for current funds to meet all demands. These are the concerns who will fail to take into account that we now have a new or added cost of doing business, and this failure will operate to their injury until the time comes when the necessity has been recognized and the remedy applied. Income taxes will become a large item with many concerns who have paid little or none in the past, and these taxes will no doubt be with us until long after the war.

In a letter to Chairman Kitchin of the House Ways and Means Committee on June 6, Secretary McAdoo recommended that the new revenue bill be drawn to raise \$8,000,000,000 by taxation in the year beginning July 1, 1918.

This is an enormous amount and may be better appreciated when it is realized that it is equal to about 87½% of the loans and discounts (\$9,139,000,000) of all the national banks in the United States on March 4, 1918, or about 76½% of all the deposits (\$10,455,000,000) in all the national banks on the same date.

Statistics show that incompetence, next to lack of capital, is the greatest cause of commercial failures, and we may expect this class of business men to be the only ones who will fall by the wayside on account of the new conditions due to war taxes. It would seem, therefore, that the matter of war taxes might become the determining factor in credit granting only when the affairs of the concern seeking credit are incompetently conducted.

Another new condition that must be recognized by credit grantors is that of the Federal moratorium act. There can be no doubt in the mind of any that the men who are in our military and naval service fighting for their country should be protected while so engaged and for a reasonable time thereafter. At the same time, it has been pointed out that it would be the proper function of the government to afford this protection, distributing the expense through taxes and thus effecting a more equitable distribution of the cost. This feature need not be here considered, however, and it is for us as credit grantors to bear in mind that no man should be discriminated against because he is of draft age or about to enter the service of his country; but, on the other hand, we should remember that there is to be nothing gained by any one

concerned through failure to exercise due regard for the added element of risk.

In selling to the dealer in luxuries there is a necessity for caution that has not been present heretofore. All indications point to the fact that there will be a certain degree of retrenchment among the wealthy class as regards luxuries, but among the working classes work will be plentiful at high prices and the demand for luxuries by them will very likely increase. The principal danger in regard to the exclusive dealer or manufacturer of luxuries, however, lies in the fact that the labor and the material that he requires in his business may, and probably will be, required in connection with war activities of one sort or another, and the railroad board looks forward to an embargo against the transportation of all articles of luxury. It is also to be expected that the banking institutions will frown upon loans to be used in the production and distribution of such commodities. The demand for funds for essential industries will be very great, and this is another difficulty for the manufacturer and dealer in luxuries, which, in like manner, is a source of danger to his creditors.

Another feature that is new is that of price fixing by the Government. This policy is manifesting itself from time to time by announcements that prices are to be fixed on various commodities that have heretofore been free from such restrictions. Some of the principal articles on which the Government has fixed prices are wheat, coal, steel and leather. The manner in which wholesalers will be affected by these prices depends largely upon the territory in which they are operating and the lines of business in which they are engaged.

We must also recognize the rules and regulations that are being promulgated by the Food Administration in the various states as having, to a greater or less extent, an influence on the financial welfare of retail merchants handling foodstuffs. It has already become apparent that the retailer who is not conforming to these rules is not a good credit risk, and the extension of credit to him is fraught with peril.

The war has brought many changes, and it is our duty to study them. On the whole, the outlook is very promising, and we should face the future with courage and fortitude, remembering that the winning of this war is our first and main objective, and that all business must be subordinated to that end. It is this spirit in our people that is going to make possible the glorious victory that is sure to come.

#### CONFERENCE SUBJECT CONTINUED

By ELMER W. STOUT of Indianapolis

It seems to be evident that Mr. Wilson and I have been reading the same literature in preparing our speeches. He has presented many of the ideas and conclusions which I had in mind. However, as far as possible I shall refrain from repeating what he has said.

A couple of weeks ago Congress was about to adjourn when suddenly President Wilson appeared on the scene and said, "Gentlemen, you must not adjourn until an additional revenue act is framed and passed." He pointed out that there must be addi-

tional revenue in order to continue to carry on the war. As stated by Mr. Wilson, up to that time there had been expended approximately \$10,000,000,000 by us in the prosecution of the war, of which amount only about 14 per cent. came from taxation.

England, up to date, has spent in the prosecution of this great war a little over \$30,000,000,000, of which she has raised 24 per cent. by taxation. The balance has come from the proceeds of loans.

France has spent up to date in the prosecution of the war approximately \$21,000,000,000, of which a little over 15 per cent. came from taxation.

Germany, on the other hand, has spent a little over \$26,000,000,000, and of this amount only a fraction over 6 per cent. has come from taxation. The balance Germany has raised from the proceeds of loans and from the issuance of certificates of indebtedness which float among the people about as did greenbacks during the Civil War.

Now, it is apparent, as President Wilson said, that a larger percentage of the cost of the war must come from taxes in order to avoid disaster that will come from inflation resulting from increased loans from time to time. Taxation, as you know, seeks to level prices. Flotation of loans without taxes results invariably in inflation of prices. Therefore, while we may not agree as to the exact percentage that should come from the levying of taxes or from the sale of bonds, yet evidently Secretary McAdoo and President Wilson are about right when they say we should raise in this country approximately one-third of the necessary money as we go along so that future generations will not be burdened with a debt too heavy and present inflation may be held in bounds.

The present law was enacted, as you recall, last October, and was applicable to the entire year of 1917. Unfortunately, many businesses had expended their earnings or a part of them in improvements and inventories before it was known that the tax would be so heavy. The Chamber of Commerce of the United States met in June and July and recommended excess profits tax of not to exceed 25 per cent., but when the law finally came out the excess profits rates ranged from 20 per cent. to 60 per cent., and now the announcement comes from Washington that the excess profit rate is to go up to 80 per cent.

I almost fear to criticize any provisions of any tax measure that is put forth by the Administration, yet I believe in fairness, that it is our duty to point out certain inequities and inequalities that exist in the present law, because at this time the Ways and Means Committee is sitting at Washington with a view to changing certain parts of the law and of increasing the rate.

It should be noted that the tax burden under the existing law falls heavily on trade or occupations. The excess profits rates, so-called, when a concern has invested capital, starts with 20 per cent. and shortly jumps as high as 60 per cent., whereas the man may have a large income from rents and interests and not be engaged in business with invested capital and pay a comparatively light tax.

To illustrate what I mean, let me give this example. There came to my attention a few months ago the case of a manufacturing establishment incorporated with \$20,000 capital. It was a canning

business, prosperous in 1917, resulting in net profits of \$20,000—100 per cent. profit. The president of that corporation asked me to figure his income tax. The excess profits tax alone amounted to \$8,980.00, which, added to the 6 per cent. normal tax, made the total tax of that small concern with \$20,000 capital, \$10,100. Now, had that corporation borrowed all the money on the endorsement of stockholders with which to embark in business, so that it could have been said that it had no capital investment, the tax on that business, instead of being \$10,100, would have been \$1,080.

There is an inequity that results from the fact that the rate figures too high merely because there may be invested capital in the business. Take another illustration: I know a man who is worth \$300,000, with net income from rents and interest of \$20,000. He has no exempt securities. I figured his income tax. It was derived mainly from coupons. He was of the inactive type, income \$20,000. The tax under the existing law figures \$1,080, or \$1,180, as I recall it.

Now, the point I am trying to make is this: That under the existing law there is no distinction between earned and unearned income. There should be a differentiation. At the present time the man who derives an income, a so-called income, earned as a result of his efforts in business, pays in some cases ten times as much tax as the man who sits quietly by and clips coupons from bonds.

These are inequities which should be corrected. Congressmen evidently had it in for the business man in drafting the section which relates or defines what shall happen to a business with any invested capital. That is an inequity which should be corrected. I do not speak of this in any spirit of disloyalty, and I hope that by calling attention to this section I shall not be accused of being unpatriotic.

But, as fair-minded men, the Ways and Means Committee should have these things called to their attention, and if you have in mind, as no doubt you have, other inequities of a glaring nature such as this, it is your duty and my duty to call the Ways and Means Committee's attention to this situation.

Now, in the case of the canning factory I mentioned, it happened that that concern, before it knew what the rate would be, had paid out its earnings largely in dividends and the balance had been invested in additional equipment. The consequence was that the small canning factory had to go to the bank and borrow all the money with which to pay its tax, and it had some difficulty in doing it. It almost failed.

Now an additional rate is to come on, and as credit men it behooves us to scrutinize carefully statements of businesses with a view to ascertaining whether or not reserves have been set aside to meet these high war taxes which must come. Some excuse may be given for a failure to set aside such a reserve during the past year because the tax came late. It is hoped that this time the law will not be so late in coming out. It should be before the public by August 1, so that we shall all have a chance to look it over and criticise it and see that the best and most scientific act possible is framed. I am sure that every one of us is willing to do everything in his power to cooperate with the government in raising revenue

necessary to carry on this great war. By offering a suggestion which we believe will result in a more scientific scheme of taxation, the more equitable distribution of taxes, I believe we will be doing a patriotic act, so let us do it and see that our taxing system is put on a more scientific basis.

The Government, I am sure, will be pleased to have suggestions as to sources from which revenue may be derived. Every possible source should be suggested. Consumption of taxes has been mentioned. Additional duties in imports have been mentioned, with the result of the political discussion every time that subject comes up.

The President and Mr. McAdoo have announced that most of these taxes must come from increased incomes, increased levies on incomes and largely from excess profits tax. The excess profits tax as it is to-day is not, strictly speaking, a war profits tax; as the name indicates, it is simply an arbitrary levy over and above a fixed deduction. Perhaps that is all right, yet it is not fair to say that the rates which are paid are paid because of income derived in excess of what was earned prior to the war.

The English system is really, technically speaking, a war profits tax. Ours is not. Sentiment in Congress seems to be against modeling our system after the English system, but the English system does make the discrimination between earned and unearned incomes. It does not impose a heavier burden on earned incomes, as does the act of this country. That is the one important thing which we should work for, and by doing so I believe we will be doing our country and our countrymen a service.

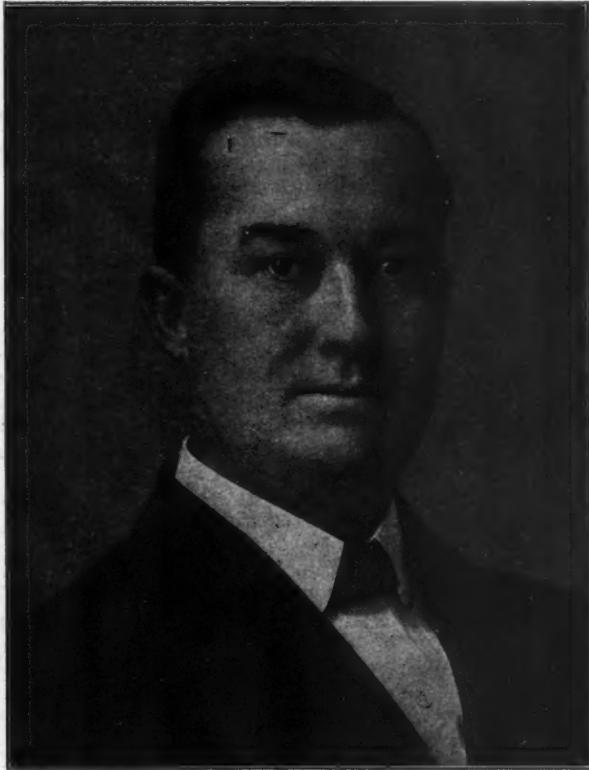
I thank you. (Applause.)

SECRETARY TREGOE—Mr. President, I am asked by the Committee on Resolutions at this time to offer in its behalf the following resolution:

"The National Association of Credit Men, in convention assembled in Chicago, addresses to the President of the United States the thought and spirit which actuates this gathering of more than seventeen hundred men of business, called from every part of the United States. This Association, collectively and through its individual membership, numbering upward of 24,000, pledges to the Government its united will and determination to do its utmost to assist in the waging of America's fight, in common with that of her Allies, to right the wrong imposed upon civilization by unscrupulous autocracy and merciless force and to restore to the world a permanent and lasting peace, based upon human liberty and individual expression. The Association would respectfully urge upon the government that the end of victory can be more speedily accomplished if the fullest possible protection is afforded to the industries and commerce of the country compatible with the Government's necessities. The convention solemnly, and with a full realization of the sacrifices entailed upon every man, woman and child in the United States, pledges its support to the uttermost limit, and expresses its confidence that the war will, through the united effort of every unit in the nation, be brought to a successful termination at a date not far distant, but that no matter how long may be the period before a righteous peace is won, there will be no wavering

in the determination of every citizen of this country, and no faltering until our cause is achieved.

"This convention would also convey to Your Excellency its gratitude for the work of the American Red Cross and like national organizations, which have brought into play highly effective constructive instruments, making for the alleviation of human suffering, for closer international ties of devotion and human rela-



F. R. SARGENT  
Nash Hardware Co., Fort Worth, Texas  
Director

tionship and for a nobler manhood and womanhood in America." (Applause.)

The resolution was adopted unanimously by rising vote.

CONFERENCE SUBJECT RESUMED

SECRETARY TREGOE—Mr. Stout, do you believe that war conditions entail upon the credit man the necessity of more care in the selection of his credit risks and the watching of his accounts than in normal conditions?

MR. STOUT—I do, Mr. Secretary. I believe that more care is demanded of the credit man now than ever at any time in the past because of war conditions. Prices at this time are inflated and may drop whenever the news of peace comes. Concerns that are now prosperous and show profits may in a month from now be bankrupt because of the fact that prices may be cut in two. Perhaps the change may not come overnight, but it is sure to come some day.

H. G. RAYMOND, Pittsburgh—Not every man or every concern has made his or its tax for this year. I want to know how many credit men have been given as a reason for slow payments the fact that they had to pay their tax? I have not heard any.

M. JOANNES, Green Bay—The first speaker called attention to the stringency of money. The next speaker, being a banker, did not touch on it. With my more than forty years of experience, during which I have had to provide the money for our business, I have never yet gone up against such a hard strain as to-day. We commenced business in 1872; we have never failed; we have paid a hundred cents on the dollar during that whole term. To-day we discount all our bills. We do not issue trade acceptances, because we consider that they are an injury to the credit man. To-day we thought we needed some more money in our business, because we have not been penalized, as may be construed by this war tax, but have had ten times as heavy a load put upon us to pay than we expected, and realizing that condition I wrote to our New York brokers with whom we have dealt for over thirty years continuously, asked them the condition of money market, and what the rates would be.

Saturday morning I received a reply stating that the last notes we sent down about three weeks ago had not yet been sold. They had, however, advanced us the money. The reason was that the bankers were asking new things from the borrower, things that they had not thought of before.

Our concern has rendered an annual statement for years to this very concern. Our inventory date or fiscal year is May 1st. We have had accountants with us for over six weeks in order to get our reports to the government, to our state, and know the true conditions of our firm. Those brokers came back and said: "Until your annual statement is on hand for the bankers to look over, they are not looking for your paper nor any other commercial paper unless statement is on hand. Furthermore, they do not want *your* statement, but the statement of accountants. Fortunately, we happened to be ahead of them and had it ready.

Another request: What are you doing with your debt to the government? Are you preparing for the future? Or are you paying out your dividends without any thought toward that future? Fortunately, again, while we have not yet had our annual meeting, I had prepared a resolution which will be adopted by our board setting aside out of the profits of the past and some out of the future and deducted that from the profits of last year as a reserve for safety.

These accountants, in going over our resources, swell everything up. They swelled our values up, they swelled our inventories up, which is absolutely contrary to the policy of our house. (Laughter.)

MR. JACOBS—I do not think that we want to treat this matter from a personal standpoint at all. The committee has undoubtedly treated it in a general way. They have not mentioned the fact that it is now engaging the attention in Washington. I have been before the Ways and Means Committee there in the last few days. The fact is engaging the attention that our present so-called profit tax is not equitable because it is based upon invested capital and that is not the English idea of the tax. In England they took the pre-war period of 1911, 1912 and 1913 as the basis and they allowed the business men to make their normal profit without taxation. Anything above that they called war profits.

Now, in this country they adopted an entirely different system and that system is going to be fought in Washington for a change. There is no doubt that a change must come. There is nobody who objects to taxation; it is necessary to pay the expenses of this war, but the people do object and the business men do object to inequalities therein. They want a tax that is based properly on an equitable basis and I believe before they get through with this changed law it is going to be fixed that way.

Another point that has not been touched in these reports is the question of factories that put in equipment for the purpose of manufacturing war material. I received, while in Washington, a telegram from San Francisco from a manufacturer who had a subcontract on twenty-eight of the emergency fleet steamers, that is, part of the contracts. He had agreed to put in a duplicate plant for \$250,000, and he figured that if he paid the tax the way it was arranged now when he got through with his contract he would be owing the government money and I wired him back that he had better place his affairs in the hands of an attorney in Washington to go over the matter with the Board of Review, because in my talks with the United States Internal Revenue Commissioner he manifested a desire to see that all these matters should be arranged upon a safe and sound and fair basis.

We need not think that the lines are drawn fast. They are going to be regulated from the standpoint of what is right. All you have to do is to present the case to the Board of Review in Washington and I believe those matters will have proper consideration because the government wants to stimulate production; it wants to stimulate the building of ships and does not want to do anything that will hamper. (Applause.)

SECRETARY TREGOE—You heard what Mr. Joannes said about those notes down in New York. Suppose Mr. Joannes had the same amount of money in trade acceptances, would he be waiting for his money? (Applause, cheers and laughter.)

R. D. WILSON, Omaha—I believe there is no doubt as to the answer. He would have gotten his money promptly and at a lower rate of interest than he probably would ever have been able to get on his plain notes at this time.

F. B. McCOMAS, Los Angeles—The last speaker said that as soon as the war is over prices of merchandise would immediately go down. Does he not realize that all of South America and Mexico and the European countries will be wanting merchandise then?

SECRETARY TREGOE—Mr. McComas questions the judgment of the banker in saying that there will be a sort of debacle in prices when the war stops.

MR. STOUT—I did not wish to convey the impression that I thought prices would suddenly go down—all prices. Some of them will perhaps go down suddenly, but we must concede that there is an inflation now and at some time they will drop, and whether it be gradually or suddenly depends upon the character of the article in question. (Applause.)

M. WEIL, Lincoln—I do not like to hear such pessimistic remarks as have been made here from the platform. There is no reason and no occasion for pessimism. The country is in good condition. In the Middle West we are harvesting now one of the best crops of wheat we have had in years, with a permanent, fixed price, and with the money that is being brought into banks from the returns on this wheat crop and from other crops, we need not fear the taking off of income and excess profits tax and of having ample money to supply the world with the necessary funds.

The member who made a statement that his paper would not sell in New York, could market it in the West if he could furnish a reasonably good statement. (Applause.)

MAURICE FLEISHER, Philadelphia—I would like to ask whether sufficient emphasis is being laid in the Bulletin on the importance of securing from customers the amount of taxes owing the Government in their statements to credit grantors and whether provision is being made in the standard property form of the Association to show the amount of taxes due?

SECRETARY TREGOE—Answering that question, on Thursday, before I left for Chicago, a Committee of Revision, which I had contemplated for almost a year, spent a whole day in New York revising our financial statement forms and bringing them up to date and we are providing in the revised form for this question: "Amount owing for local and federal taxes."

(As time for discussion was up, Mr. Wilson and Mr. Stout received a vigorous round of applause.)

PRESIDENT WHITLOCK—The next is the report on Mercantile Agencies' Service Committee by E. F. Sheffey of Lynchburg, chairman. (Applause.)

MR. SHEFFEY—I thought as this discussion was going on, just a few moments ago, when something was said about the day the war was over, it would be a good thing for us to revise that remark and put it as I saw it put the other day and I think there will be less of the blue in our make-up and there will be more of golden sunshine, more of the feeling that there is going to be a golden future not only for the individual, but for this great country. I would change that statement from "when the war is over" to "when we win the war." (Applause.) And that is coming in the not far distant future.

I would commend to you a little poem that I saw the other day of what the farmer thinks about it and what he proposes doing. It is entitled:

## "THE FARMER'S CLOCK"

"Kate, turn the clock ahead.  
One hour this very night,  
Because the President said,  
'Twill help us win the fight.

"The coal we need to save,  
To drive far 'cross the sea  
Our ships, which bear the brave  
To war for liberty.

"I'd turn them three or four  
If only it would help  
The boys who're going o'er  
Lick the Kaiser and his whelp.

"The night I'd call the day,  
The day I'd call the night,  
I noon my prayers would say,  
To whip the Kaiser right.

"The dawn I'd swear was eve,  
The twilight early morn,  
At sundown I would leave  
To plow my field of corn.

"At midnight milk the cows,  
By moonlight threshing done,  
I'd manicure my sows,  
If it helped to get the Hun."

Some of you know, from having seen me at former conventions, that I am from the sunny South and that reminds me before I make the report that I would like to tell you just a little story about an old colored cook that used to be in our home. She was at Appomattox when Lee surrendered to that great leader from the North, Ulysses S. Grant, and when he said, "Take home your horses and use them in making the corn that will keep your people alive," We of the South remember that. This old colored cook had a great habit of using big words and I am brought to the point of telling you this and I can do it because of the un-earthly hour that we are meeting here.

Some time ago when I was a member of the Board of Directors of the National Association we had a meeting in Atlantic City, and the Board of Directors was kept up day and night for a number of days by the Secretary-Treasurer. They had about five hours' sleep, as I remember, but I never dreamed that he would undertake to put up such a job on this big convention here.

This story is as follows: The old colored cook was in the kitchen one morning when I came down. The house girl had not come yet and things were not in shape. The bath wasn't ready either and I said to her, "Aunt Millie, where is Mary this morning?"

And she said, as she curtsied, "Oh, master, you know Mary

ain't sterilized herself yet." I think the time for sterilizing ourselves will come soon if we don't look out.

The war is uppermost in our minds and rightly so. This is the war convention of the National Association of Credit Men. We caught that spirit, I think, the other morning in the theater when we came in and saw that Jacky band. Such a band as it was! What memory will not retain the thought of those boys in blue as with those horns they blew such music as we never knew!

Great boys were they, and how our hearts were touched when our secretary, overcome with emotion, put his arm around that Jacky boy that sang and said he thought of his boy far away across the sea near Gibraltar, wearing that coat of blue, doing his bit for the government! And so I am going to give you, at the risk of being tedious here, this poem, "The Kid Enlists," in memory of Benjamin Tregoe on the ship Cythera, to-night out on the Atlantic deep:

"The kid has gone to the colors,  
And we don't know what to say,  
The kid we have loved and cuddled  
Stepped out for the flag to-day.

"We thought him a child, a baby,  
With never a care at all,  
But his country called him man-size  
And the kid has heard the call.

"The kid has gone to the colors—  
It seems but a little while  
Since he drilled a schoolboy army  
In truly martial style.

"But now he's a man and a soldier,  
And we lent him listening ear,  
For his heart is a heart all loyal,  
Unscourged by the curse of fear.

"His dad, when he told him, shuddered,  
His mother (God bless her!) cried,  
Yet, blessed with a mother nature,  
She wept with a mother's pride.

"But he whose old shoulders straightened  
Was Granddad, for memory ran  
To years when he, too, a youngster,  
Was changed by the flag to a man."

(Applause.)

The Committee on Credit Cooperation brought to you a message of cooperation. The thought that we present and that we would burn into your minds and hearts is the thought of cooperation and that is the one thought that is claiming the attention and thought of the world to-day. We would fix it in connection with credit cooperation. A short while ago we had a meeting in New York City of the Committee on Credit Cooperation, a meeting on agency service. We had representatives of the agencies there. We

went over the whole situation with them, presented to them our thought touching ways and means by which the agency service could be improved and they presented to us their thought with reference to the way we, as credit men, could improve our method of presenting our wishes and thoughts to them and together we came into cooperation in helpfulness and I believe it will produce good results.

### Report of Mercantile Agency Committee

*To the Officers and Members of the National Association of Credit Men:*

GENTLEMEN :

Your Committee on Mercantile Agency Service cannot report to this convention any unusual events, perhaps nothing better to write than a brief chapter in the history of mercantile agency service as it has been developed in cooperation with our organization.

Your committee desires to express its full appreciation of that policy that should give the controlling note in all work of this committee in the future upon which can be founded the structure of a thoroughly cooperative work and an improvement gradual but permanent in the reporting service. Without going too deeply into the past, no more than to refer to the suspicions and divisions between the mercantile agencies and the associations of credit men, a change of great importance has happened, for they are now working together for but one purpose—the improvement of the service, each with complete confidence in the fairness and designs of the other. This principle should never be departed from by the National Association of Credit Men or any of its units, for upon the foundation of cooperation there rests the promise of the future in this field and the assurance of an instrument of service to credit men, the value of which cannot and should not be depreciated.

During the course of the year there was received at the National office, by your chairman, a smaller number of communications about mercantile agency service than has been received during former years. This of itself indicates that improvements have been taking place and that subscribers have learned to approach with freedom local superintendents of agencies with a view to talking over differences or defects in the service. Such letters as came to the committee were looked over carefully, each complaint and each suggestion separately considered, and it will be necessary to refer in but a brief way to these communications.

An interesting and pleasant conference was held in the National office with the representatives of the agencies and through a period of several hours the recommendations of the preceding committee, the recommendations and complaints in the several letters and ideas advanced by the committee at the conference were given thorough consideration.

During the year R. G. Dun & Co. prepared a special form for its subscribers on which to furnish information on customers whose accounts were proving unsatisfactory. The Bradstreet Company has provided for such a report on the reverse side of its inquiry tickets. Emphasis was placed by the preceding committee on the

value of these reports, and members of the Association were urged in its report to the Kansas City convention to furnish the information voluntarily. Representatives of these agencies at the conference reported that results have been meager, that subscribers were not communicating the information asked for. After viewing the subject from all angles and taking into consideration the time involved in furnishing the reports, it was the unanimous opinion of the conference that by furnishing this information to the agencies a stronger reporting service would be built up, a result for which credit men should work though it meant effort and inconvenience.

It was recommended that the incoming Committee on Mercantile Agency Service should conduct a campaign among the members of the Association for the liberal furnishing of this information and for getting assistance of local committees and the dissemination of the recommendations throughout the entire organization.

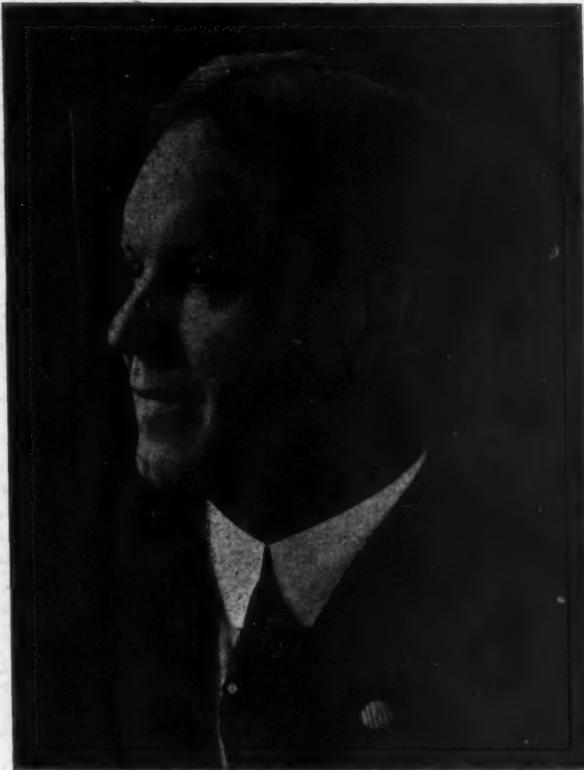
The financial statement forms used by the mercantile agencies have been improved from time to time in order to meet new situations in the credit field. It is customary now to ask the information: "Do you keep books of account and if so, what kind of books?" The value of this information is apparent, and we thank the agencies for thus meeting one of the increasing needs of the credit man.

The desirability of getting the financial statement obtained by the mercantile agency in such shape that it may be available in helping the subscriber to defeat a discharge in bankruptcy or in prosecuting the maker in the event of its gross misrepresentation and deceit received careful consideration, as a result of which there will be an increasing effort upon the part of the agencies to obtain statements in such form that they can be utilized by subscribers for the purposes cited. This was one of the most important subjects taken up by your committee during the year, and it passes this subject on for the careful study of its successors.

Provisions in the financial statement forms for information about insurance against workmen's compensation liability, other forms of liability and life insurance taken out for the benefit of a commercial enterprise, were carefully considered, but it was recognized by your committee that progress must be slow in improving financial statement forms because they are printed in large quantities and changes should not be made except after a thorough clearance of ideas and a general demand for a different class of information. We appreciate what the agencies are doing in this direction, recognizing that it is important for credit grantors to know at present how certain liabilities have been provided for and how the assets of an enterprise may be strengthened through life insurance in safe companies. Assurances were given by the representatives of the agencies that when reporting on an enterprise conducted under a fictitious name, efforts were made to discover if the principals of the enterprise had registered under the Fictitious Name Law of the state where they are operating, provided, of course, there is such a law on the books of the state in question. This is important—much more so, perhaps, than the credit man usually recognizes, for deceit and fraud cannot be traced through the use of the fictitious name unless those operating the business

may be identified and located by a public record such as our Fictitious Name Law provides.

The principle advanced by the preceding committee that local complaints should be taken up with local superintendents, and complaints regarding the general service taken up with the National office and committee, has worked well and there is perhaps now more inclination on the part of local committees and subscribers to approach the local superintendents of agencies with recommen-



E. F. SHEFFEY

Craddock-Terry Co., Lynchburg, Va.  
Chairman, Mercantile Agency Committee

dations and complaints, and throughout the entire system the application of this principle would work beneficially. In line with this recommendation is one that local committees should invite local superintendents, jointly or separately, to confer with them at brief intervals about the reporting service, to talk over with them local views or ideas regarding the service and its improvement, and it is hoped that during the coming year such conferences will be

arranged for in association cities and made the basis of a cooperative plan that will fit in comfortably with the ideas that have controlled recent committees on mercantile agency service.

The agencies will now issue reports on sheets of a size that will fit comfortably into the usual filing cabinet, and the recommendation of the preceding committee for this concession has been received, and we wish to thank the agencies for granting it.

The ages of individuals and co-partners should be accurately reported by the agencies, and your committee has been assured that this service is being taken care of diligently.

The minutes of the Board of Directors at its annual meeting, held in September, 1917, covering the department of mercantile agency service, was read carefully and the broadness of the spirit of its message to the Association was highly commended. Too frequently credit men merely skim the surface of mercantile agency reports, pick out their significant parts and weigh them against one another. Your committee recommends a thorough perusal of mercantile reports and a thorough digestion of their contents, for this practice will encourage the agencies to assemble and distribute the best obtainable information and increase the abilities of the credit man.

Great freedom should be permitted the subscriber in offering recommendations and such complaints as usually emanate from the subscriber should be carefully considered, and on the other hand, the agencies must be encouraged to tell in what respects the subscriber falls short of the proper appreciation and treatment of the service rendered him.

The resolutions adopted at the Kansas City convention following the report of the committee, but not introduced by the committee, requesting the agencies to consider the advisability of changing its marginal reference, were presented to the agencies and carefully considered. For the reason, as explained by agency representatives, that special plates are made for the printing of the reference books it did not appear feasible for the agencies to grant this request, immediately, but they promised to give it their best consideration.

Your committee begs to offer the following resolutions:

### I

*Resolved*, by the National Association of Credit Men, in convention assembled, that recognizing what has been accomplished for the improvement of mercantile agency service through a free and cordial cooperation between the agencies and the committees of the Association, it is recommended that this cooperative principle be continued as a controlling feature of the Association's efforts to improve the service and make it an instrument of great value to the credit man.

### II

*Resolved*, that the National Association of Credit Men records the opinion that the increasing value of the financial statement in credit granting places upon the mercantile agencies definite obligations to obtain such statements as an important part of their reports and urges the agencies to instruct their local superintendents and

reporters to insist upon the giving of a financial statement, until it is apparent that further pressure is useless.

### III

*Resolved*, that this convention goes on record as believing that the mercantile agencies are justified in withholding a rating or removing a rating whenever an individual, co-partnership or corporation declines, after reasonable and persistent requests, to furnish a financial statement, unless, of course, sound reasons are given in explanation of the refusal, or; when a rating is clearly proper without the rendering of a statement.

### IV

*Resolved*, that the National Association of Credit Men recommends to the incoming Committee on Mercantile Agency Service the encouragement of voluntary service on the part of subscribers in giving to agencies full information on unsatisfactory accounts; again, the encouragement of conferences between local committees and local superintendents on all plans endorsed and urged in this report.

Respectfully submitted,

E. F. SHEFFEY, Chairman, Lynchburg, Va.  
R. S. JONES, Lynchburg, Va.  
P. S. ADKERSON, Lynchburg, Va.

#### VICE-CHAIRMEN

H. B. KENNEDY, New Haven, Conn.  
JESSE S. CARTER, Easton, Pa.  
C. T. SULLIVAN, Nashville, Tenn.  
W. H. ENNIS, Saginaw, Mich.  
H. D. ELLIOTT, San Antonio, Texas.  
R. A. SPICER, Memphis, Tenn.  
U. H. TATMAN, Waterloo, Iowa.  
A. R. CURRIE, Butte, Mont.  
S. S. McCLINTOCK, Spokane, Wash.

You have the report before you. You can read it at your leisure. With your permission I will read the recommendations of the report.

(Read resolutions, which are adopted.)

SECRETARY TREGOE—The time is getting late, Mr. Chairman, but there may be some question here.

L. H. TAYLOR, New Britain—In view of what has been said and thrown out under the guise of unfairness may I say one word? Many of the boys from this country have gone to the fields of Europe and one from my own home back east has laid down his life and lies under the sod of France. I want to know if any man here can call himself patriotic when the United States government gives him a chance to invest \$20,000 and still have \$20,000 left and object to giving the United States government the use of it? He has a return of 40 per cent. on his money.

Report of Committee on Mercantile Agencies' Service is adopted.

SECRETARY TREGOE—The Resolutions Committee offers the following resolutions:

## I

*"Resolved*, That in the light of information now in our possession, this Association goes on record as opposed to the principle of the guarantee of national bank deposits as being unsound and dangerous."

M. WEIL, Lincoln—I move the adoption of this resolution without debate. Seconded by Mr. Watling of St. Louis and carried.

## II

"War calls with equal insistence both for hosts prepared for actual combat and for unceasing exertions and self-denials on the part of the civilian army of the rear, whose duty it is not only to keep unbroken the stream of supplies for our men at the front, but to supply that moral and spiritual support which makes men equal to the severest tests of patriotism. To this end, business conceptions and undertakings calling for vast reallocations and adjustments have been developed, and business men have recognized the necessity of prompt and unselfish action, and have put themselves and their resources at the Government's service.

"This convention refers with pride to the fact that so many leaders of industry have, at great personal sacrifice, given their undivided service to the Government, and are devoting their experience and abilities solely to the stupendous business processes which the war enterprise has made necessary."

Mr. Benton of St. Louis moved to adopt resolution, seconded by Mr. Joannes of Green Bay, and carried.

## III

"It is with pride and satisfaction that the National Association of Credit Men records the fact that many of its members and many more of their sons are with the flag, defending or preparing to defend that liberty in whose name this great country was founded. Their fellows of the Association at home have every confidence in them; they know that the army and navy have acquired in them men who will strengthen the morale and give greater striking power to the armed forces of our country. Our hearts go out from this place to them, our brothers, our representatives in the mighty conflict, and our prayers are raised that they and their comrades may soon return safely home, the ideals and purposes for which we are fighting completely established, and the stability of our free institutions once again assured against assault from without, and the great historic fact of war having made of us one people, undivided and inseparable."

On motion duly made and seconded the resolution was carried unanimously.

PRESIDENT WHITLOCK—The next is a report from the Committee on Uniform Conditional Sales Laws." I will ask that Mr. Blum, counsel for the committee, present this report.

Mr. Blum presents report.

**Report of Committee on Uniform Conditional Sales Law**

Presented by HENRY S. BLUM, Chicago, Ill.

In August, 1915, the National Conference of Commissioners on Uniform State Laws adopted a resolution in which it authorized its Committee on Commercial Laws to consider the drafting of a uniform act on the subject of conditional sales. With its usual thoroughness the Committee on Commercial Laws, with the assistance of its extremely able draftsman, Professor George E. Bogert, of Cornell University (now Major Bogert), undertook to draft such a law, to be ultimately enacted in all the states of the Union as a uniform measure.

The subject is more important than generally supposed and covers a great range of goods. Transactions in goods sold under this arrangement involve many hundreds of millions of dollars annually. The mention of a few of the classes of property affected will demonstrate this. There are sold on the deferred payment arrangement, and in a large measure upon conditional sales contract, railroad equipment, locomotives, sprinkler systems, printing presses, automobiles, office equipment, store fixtures, scales, cash registers, adding machines, pumps, tanks, silos. This list could be extended indefinitely.

Confusion arising out of the striking differences in the laws of the several states of the Union now attends the doing of interstate business on conditional sale contracts. There are states in which, under the present law, the holder of the conditional sales contract is entitled to the full protection of his lien against creditors and third persons without registering or recording. The secret lien so created may become a fraud upon third persons, and is condemned by the best thought on the subject. Again, there are many states where no adequate protection is afforded to the buyer, making oppression possible. While sellers who, under any condition, would take such advantage constitute an insignificant minority, yet their conduct has the unquestionable result of bringing the entire business of selling on the deferred payment plan into disrepute. In many of the states the acknowledgment of the paper, the recording of it, the rights of the holder upon default of the buyer, are all involved in a maze of technical formalities that are a constant source of worry, expense and inconvenience to the seller.

The adjustment of these conditions, the drafting of a uniform code, wherein the rights of the buyer, the seller, and the public would be each equally safeguarded, the drafting of a measure that would provide a simple, inexpensive and efficient basis for the conduct of this extremely important business, was the task of the conference.

To this task the conference brought a great wealth of skill and learning in the law. The scholarly members of the Committee on Commercial Laws, and the extremely able draftsman of the committee, Major Bogert, joined in the preparation of a comprehensive and well-balanced measure. If it be said that the members of the Committee on Commercial Law, as, indeed, the members of the conference, are almost in their entirety lawyers, and lack familiarity with business details, it must not be supposed that this is

said by way of criticism. It remained for an organization of business men, assisted by counsel, to bring home the difficulties of the practical operations of the business affected by their work.

The first draft of the measure as reported out by the Committee on Commercial Laws, while a very splendid document in many respects, imposed, it was felt, undue hardships upon the seller, and placed in his way unnecessary difficulties. It became the business of the Committee on the Conditional Sales Act of the Chicago Association of Credit Men, and subsequently the same committee of the National Association of Credit Men, to bring to the conference the light that merchants and practical men of business can shed upon questions affecting business.

The subject was first taken up for consideration by a committee of the Chicago Association of Credit Men, of which Mr. S. J. Whitlock, your National president, was made chairman. This Chicago committee, communicating with the Committee on Commercial Laws, through its chairman, Walter George Smith, of Philadelphia, was cordially received by the committee and its chairman. The gentlemen of the conference, appreciating the help of practical business men on practical business problems, opened the doors wide, and received with a great deal of fairness and favor all the information that could be presented to them on the subject. Numerous sessions were held at Philadelphia, Ithaca, New York and Saratoga Springs, at which the peculiar needs of business were discussed, considered, and insofar as the Committee on Commercial Laws found the suggestions acceptable, were embodied in the measure.

The committee of the Chicago Association of Credit Men was subsequently merged into a Committee on Conditional Sales of the National Association of Credit Men, which continued the work of the Chicago committee in the same broad manner, and under the leadership of the same chairman, until its present development in the form of the third tentative draft of the act.

We cannot help but be alive to the importance of this measure to the particular lines affected, and to industry generally. The importance of this work is, however, not confined to the measure under consideration. It serves as a precedent for a new method, whereby the problems of the credit side of business, as affected by the vast number of conflicting laws in force in the several states may be harmonized by cooperation with the Conference of Commissioners on Uniform State Laws.

Business, except to an insignificant extent, is now interstate rather than intrastate. The great variety of conflicting regulations affecting it must some time or the other be harmonized in the same manner in which the work on this particular subject is being done. When this time comes the effective work carried on by the Conditional Sales Committee of the National Association of Credit Men will act as a precedent and guide of unmistakable value. Having confidence in the value and permanence of the work under consideration, the committee desires to submit the following resolution:

*Whereas, The Uniform Conditional Sales Act is a measure of vast importance, affecting a large and important class of business,*

and is both in its principle and in its form an extremely meritorious measure, and,

*Whereas*, Uniformity of laws in the various States, particularly of such laws as affect the credit side of business, is desirable as to all other subjects upon which this conflict exists, among which is the Conditional Sales Act; and

*Whereas*, The enactment of this measure in the various states will result in simplifying and greatly stimulating business carried on in this way, while affording full protection to the buyer, the seller, and the general public; *Therefore, Be It Resolved*, That the National Association of Credit Men, in convention assembled, approve and commend the efforts of the National Conference of Commissioners on Uniform State Laws in the drafting of a Uniform Conditional Sales Act, and urge upon the legislative committees of the various local associations that such committees lend their help to bring about the enactment of this measure upon its introduction in the various legislatures.

HENRY S. BLUM,  
*Counsel.*

S. J. WHITLOCK, Chicago, Ill., Chairman.

ED. COHN, Chicago, Ill.

WALTER L. GITHENS, Chicago, Ill.

JOHN J. HINCHMAN, New York City, N. Y.

H. M. HOBBINS, Chicago, Ill.

W. W. KERR, Chicago, Ill.

DON C. MCCORD, New York City, N. Y.

W. K. MCINTOSH, Chicago, Ill.

GIL K. PERRY, Indianapolis, Ind.

B. E. PHILIPS, Chicago, Ill.

M. L. PURVIN, Chicago, Ill.

A. G. RUMPF, South Bend, Ind.

J. H. SHALE, New York City, N. Y.

JOHN T. WELCH, Chicago, Ill.

D. M. VESEY, Fort Wayne, Ind.

MR. PAVEY, Indianapolis—Indiana is one of the states that has no law by which it is necessary to record conditional sales contracts. In other words, conditional sales contracts are valid in Indiana without recording, and as a consequence the general creditor is often set aside, though he had the impression that there were assets sufficient, but he comes to find out in the end that there are not, because a conditional sales contract will come up at the last minute, which is not of record and is not necessary to be recorded. It is, therefore, essential, I believe, that we should have a uniform conditional sales law which will be applicable to all states, and particularly we need it in Indiana.

I, therefore, am heartily in favor of the action of this committee, and I trust that every one of our legislative committees will see to it that during the next session of their legislatures this will be put upon the statute books of the various states.

The report is adopted.

SECRETARY TREGOE—Mr. President, who is to offer the report on Commercial Arbitration?

H. W. HARDY, Chicago—I had hopes that we would have Judge Olsen of the Municipal Court here to speak on this subject, but he was unable to attend. The report of this committee is deferred until sometime on Friday.

Adjournment.

### Third Day, Thursday, June 20, 1918

The convention session of Thursday, the third day, was called to order at 9:15 o'clock by President Whitlock, invocation being pronounced by Major E. J. Vatmann, Chaplain of the United States army.

PRESIDENT WHITLOCK—The first report is that of the Committee on Amendment of Exemption Laws. Mr. Hall not being present, the secretary will read the resolutions.

SECRETARY TREGOE—In behalf of Mr. Hall, whose message of regret has been received, I will read his report and resolutions appended thereto.

### Report of Special Committee on the Amendment of Exemption Laws

*To the Officers and Members of the National Association of Credit Men:*

GENTLEMEN:

Your Special Committee on the Amendment of Exemption Laws has been able only to repeat the history of former committees, for other than an amendment granted by the Virginia legislature of 1918 to the exemption laws of that state—very slight in character but offering certain protections to creditors—nothing has been accomplished during the year toward the amending of exemption laws where changes and improvements are desirable.

A review of the entire country, however, which your committee has conducted through its vice-chairmen, produced the impression that at our present advanced stage of domestic commerce affording reasonable facilities for the welfare and protection of the people, the need does not exist of allowing exemptions in real and personal properties to the extent and in the form and manner that they are granted by the constitution and statutes of many states. For the reason that amendments and improvements cannot be obtained without submitting the question to a popular vote in some of the states, exemptions being allowed by constitution and not by statute, difficulties arise in carrying through a carefully digested and perfectly reasonable program. The body of the citizenship not concerned directly with business and industrial affairs or credit conditions except as they may relate to individual requirements, is difficult to convince that unnecessary and unfair exemption laws injure the credit of a state and impose a burden upon its agricultural and industrial population.

Your committee considered it desirable to assemble specific and

carefully arranged information on the exemption allowances of the several states, how they had been interpreted by the courts, with what unfairness they had operated to creditors, what changes were desirable and how such changes might be obtained. This observation and investigation work has been conducted very thoughtfully and persistently by several units of the committee, and the information assembled will be at the service of the incoming committee, and upon it can be predicated the program of future years, so that



VERNOR HALL  
Blair & Hughes Co., Dallas, Texas  
Chairman, Committee on Exemption Laws

places and situations may be attacked where improvements and amendments are most needed. In several of the units, owing to inability of the vice-chairmen this information was not assembled, and the completion of the plan must be passed on to the incoming committee.

We shall not endeavor to point out in this report specific features and places in exemption allowances that might attract our

closest scrutiny and first effort for improvement, but it is only necessary to say in this brief report that beyond dispute the exemption allowances of certain states should be improved and that the National Association of Credit Men, through future committees on the amendment of exemption laws, must address itself to the task until what is desirable for the stability of our credits and will bring equality between creditors and debtors so far as state protection is concerned has been accomplished.

In conclusion, your committee begs to offer the following resolutions:

### I

*Resolved*, that the National Association of Credit Men, in convention assembled, condemns the allowance of exemptions in real and personal properties that are unnecessary and unfair. Such allowances destroy individual initiative, encourage commercial deception and are opposed in every sense to the progress and development of our domestic commerce.

### II

*Resolved*, that the National Association of Credit Men, in convention assembled, urges very sincerely the adoption and execution of programs through the National and local committees that will impress the citizenship of the states with the advantages of confining exemptions to such things as shall reasonably provide for the actual necessities of debtor's family, cultivating thereby a sense of individual responsibility and those credit standards that will be reflected in the prosperity of the states and the ideals of its citizenship.

### III

*Resolved*, that the convention recommends that more publicity be given to this subject in the Bulletin and other publications of the National Association and local associations, and further recommends to the incoming committee that its close attention be given to this feature, so that the absence of necessity of large exemption allowances in real and personal properties may be recognized and the laws of the states where such exemptions occur brought gradually into accord with the prevailing and reasonable opinions on this subject.

Respectfully submitted,

VERNOR HALL, Chairman, Dallas, Texas.

F. H. KIDD, Dallas, Texas.

W. H. WILSON, Dallas, Texas..

#### VICE-CHAIRMEN

D. C. DURHAM, Greenville, S. C.

W. M. BROWNLEE, Knoxville, Tenn.

HERBERT LEICH, Evansville, Ind.

L. C. BEST, Shreveport, La.

O. M. PIERCE, Minot, N. D.

L. P. NELSON, Pueblo, Colo.

A. F. STEPAN, Los Angeles, Cal.

Resolutions were adopted, after which the report as a whole was adopted.

PRESIDENT WHITLOCK—The report of the Legislative Committee, H. D. Carter, of Atlanta, chairman, is in order.

Mr. Carter read report and resolutions, as follows:

### Report of Legislative Committee

*To the Officers and Members of the National Association of Credit Men:*

GENTLEMEN:

Your committee on legislation has confronted an inactive year in this field and its report, therefore, will be brief. Not many state legislatures convened in 1918, and, furthermore, because of war conditions, matters of national defense occupied the prominent position within those that held sessions and but little consideration could be devoted to purely commercial measures.

In strict accord with the spirit and necessities of these unusual days, your committee exerted but little pressure on state committees for legislative activities, and though the results to be submitted in this report are meager in extent yet they are significant, showing indisputably that the National Association of Credit Men, through its various units, is wielding a favorable influence for desirable commercial acts, due to its traditions and closely adhered to policies of many years.

Summarizing the year's activities by states, your committee submits the following:

#### KENTUCKY

A bill was introduced in the Kentucky legislature to amend the Landlord's Lien Law, reducing the preferential period from twelve months to ninety days for rent due or to accrue. The bill did not pass.

A bill introduced in this legislature that might have affected the abilities of our adjustment bureaus in Louisville and Lexington to operate according to the usual standards was defeated, largely through the activities of the local associations.

#### MASSACHUSETTS

Four bills were prepared and offered in the Massachusetts assembly by the Legislative Committee, all of which failed. Two of the measures were the Uniform False Statement Act and a Bad Check Act, which had been earnestly sought in previous assemblies in that state without success. It has appeared difficult to accomplish the passage of our commercial acts in Massachusetts, but the local associations are not dispirited and the effort will be renewed in 1919. The persistency and the intelligent work of the state committee deserve our sincere thanks and appreciation.

#### MISSISSIPPI

The fact that we have no local association in this state has made it difficult to obtain our uniform commercial acts and in the legislature of 1918 our model False Statement Act was introduced, not within sufficient time for a strong, hard effort in its behalf,

and the bill failed of passage. W. D. Hannah of Jackson, Mississippi, consented to serve as chairman of the state legislative committee, for which service there is due him our sincere thanks. The New Orleans Credit Men's Association also directed its efforts to this end, and their service was also much appreciated. The matter closed with a determination to renew the effort in 1920, when success can be anticipated.

#### NEW JERSEY

The session of the New Jersey assembly was unusually brief and sufficient time not allowed to present again our model Bad Check Act. As the New Jersey assembly meets annually our state committee will be early in the field in 1919.

A measure introduced in this assembly that might have affected very unfavorably the interchange of credit information was defeated, largely through the protests of the chairman of the state committee. We register our thanks to G. W. Gehin of Newark, chairman of the state committee, for this service.

#### NEW YORK

In the New York assembly of 1918 one of the best victories of the year in the legislative field was accomplished. Many thanks are due the chairman of the state committee, R. C. B. Adams of Albany, the members of the committee, local associations of credit men in the state and various trade and banking organizations who went to the task with determination to obtain passage of our model Bad Check Act. In two previous assemblies the state committee had met with defeat, but in the third effort a systematic plan was developed which overcame opposition in the assembly and also a protest of the Bar Association of New York County when the bill was awaiting the governor's action. The Bad Check Act is difficult to comprehend in some directions, but is a protective measure that will prove its worth and value in this state.

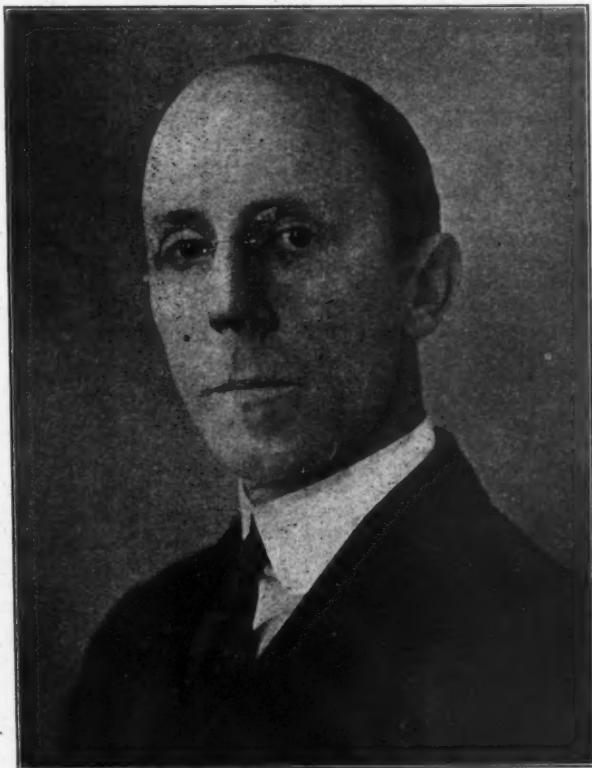
#### SOUTH CAROLINA

For the sixth consecutive year our model False Statement Act met with defeat in the South Carolina assembly. The state committee worked out a systematic campaign for our False Statement and Bad Check Acts, but former experiences were repeated and the bills failed. The committee under the chairmanship of E. N. Joyner, Jr., of Columbia, made a determined effort but could not overcome opposition from certain quarters. Our members in South Carolina are not discouraged, however, because of this long list of failures, but will renew the effort in 1919 and after a while, perhaps, something will happen and then the legislature of South Carolina will appreciate that these measures would improve the credit of the state and would be a help rather than a burden to its merchants.

#### VIRGINIA

The state legislative committee, under the chairmanship of Alvin M. Smith of Richmond, after efforts extending over several years, at the close of the legislative session of 1918 obtained pas-

sage of our False Statement Act. Sincere congratulations and thanks are owing the committee for this splendid piece of work. The act will be protective to grantors of commercial credit in Virginia and will prove its value in the stabilizing of credits. There was obtained also at the instance largely of the Bristol association, and with the cooperation of our state committee, our members in Virginia and the Jobbers' and Manufacturers' Association, an act



H. D. CARTER  
Dougherty, Little-Redwine Co., Atlanta, Ga.  
Chairman, Legislative Committee

amending the exemption laws of Virginia. This is especially pleasing because it has proved so difficult to obtain legislation of this character. We regard it as an earnest of what may be accomplished in other states whose exemption laws should be amended in conformity with present-day conditions in credit granting.

This is the total of the year's activities, though in several states whose legislatures convened this year committees were ready to respond and undertake legislative work had there been occa-

sion for it. It was felt, however, both with the national committee and local committees, that because of war conditions pressure should be exerted only where there was something especially necessary to obtain.

Your committee studied carefully the draft of an act prepared by the Association's counsel on commercial law, Julius Henry Cohen, Esq., of New York, which will require all co-partners to register whether or not they operate under a fictitious name. By majority vote of the various units of the committee such an act was considered desirable and it will therefore be known as one of the Association's model laws.

A section of the Penal Laws of New York state requires debtors who fail to pay their obligations to open up for inspection their books of account when having received credit on the good faith of a financial statement, which statement was declared to have been drawn from such books of account. Should the debtor fail to comply, the failure is regarded as an evidence of fraudulent intent. This section was upheld by the Court of Appeals of New York state and received the careful review of your committee and while not advocating any definite action as regards its enactment in other states, yet your committee felt that herein perhaps is presented another protective measure to financial statements, and the advisability of obtaining such a law in other states should receive the careful study and consideration of its successors.

Your committee desires to record its appreciation of the many courtesies received from state committees and local associations of credit men. In conclusion, the following resolutions are submitted:

### I

*Resolved*, that the National Association of Credit Men, in convention assembled, approves the course pursued this year by the National Legislative Committee in seeking only urgently needed commercial legislation and registers its appreciation of what was undertaken and accomplished in the several states whose legislatures convened in 1918, and its thanks to the state committees which went to their tasks so earnestly and performed them with intelligence, though in some instances the efforts did not succeed.

### II

*Resolved*, that the convention reiterates the attitude of former committees on commercial legislation, expressing its belief that the National Association of Credit Men should seek relief by legislation only when the relief cannot be accomplished by other means and that uniform and model acts should be framed and developed only after most careful consideration as to their necessity and advantage.

### III

*Resolved*, that the approval given by the committee on legislation to an act that will require all co-partners to register whether or not they are operating under a fictitious name is sincerely concurred in by this convention, and such act shall hereafter be known as one of the model acts of the National Association of Credit Men.

IV

*Resolved*, that the convention recommend to state legislative committees or local associations of credit men a careful observance of developments under the model acts of the National Association of Credit Men with a view to discovering any weakness of application or interpretation, any insufficiency, seeking for these acts the protection and service they are designed to give, and keeping them from falling into disuse or misunderstanding.

Respectfully submitted,

H. D. CARTER, Chairman, Atlanta, Ga.  
D. H. KIRKLAND, Atlanta, Ga.  
L. A. BAILER, Atlanta, Ga.

VICE-CHAIRMEN

H. R. SLADE, Providence, R. I.  
R. C. B. ADAMS, Albany, N. Y.  
C. D. WHICHARD, Norfolk, Va.  
F. C. NEWMAN, Bristol, Tenn.  
J. O. BARTON, Sioux Falls, S. D.  
F. E. KEIL, Billings, Mont.  
LEON JOSEPH, San Francisco, Cal.

ADVISORY MEMBER

H. N. ALEXANDER, Natchez, Miss.

Resolutions were adopted, followed by the adoption of the report in whole.

PRESIDENT WHITLOCK—Next is the report of the Banking and Currency Committee, Kenneth R. Hooker, chairman. (Applause.) Mr. Hooker reads report, as follows:

**Report of Committee on Banking and Currency**

*To the Officers and Members of the National Association of Credit Men:*

GENTLEMEN :

The efficiency of your Banking and Currency Committee has been greatly increased during the past year through the adoption of the novel plan under which it was organized. The country has been divided into ten districts, each under the direct supervision of a vice-chairman, and this arrangement has permitted a division of the work with most gratifying results.

Attention has been devoted chiefly to those features of the Federal Reserve System which seem to be most intimately related to the great problem of maintaining our industrial activity while financing the war.

Your committee has realized that the Federal Reserve Act is the foundation of a financial system of surpassing excellence and strength and that the system itself, when in full operation, will not

only provide a great central reservoir of credit but will be of incalculable value as a controlling and regulating agency in the financial world, both during the war and during the commercial struggle to follow.

The Federal Reserve System was primarily designed to bring about such changes in our commercial credit operations as would insure an adequate supply of fluid capital according to the varying needs of business.

It was not foreseen that the system would be called upon to bear the strain of war finance but the Federal Reserve Banks have thus far satisfactorily met all the financial exigencies of the war. Our experience justifies the belief that with a fully developed system, we can readily finance all governmental requirements and avoid business disturbances arising out of the availability of liquid capital.

But, in order that these vital purposes may be served, it is necessary that the system be kept supplied with a large, revolving volume of short-term, self-liquidating commercial paper which will actually be met at maturity.

During the year much progress has been made in the development of the system. Its advantages are appreciated by an ever-increasing number of bankers and business men. Yet cooperation has not become sufficiently general to mobilize readily all the nation's credit resources.

In undertaking to bring about a clearer understanding of the scope and functions of the Federal Reserve System, your committee has continuously advocated as matters of first importance the following: (1) The necessity for bringing a larger number of state banks into the Federal Reserve System as members; (2) the urgent need for a more general use of trade acceptances.

In the matter of state bank membership, your committee has contended that if our financial machinery is to be adequate for meeting the requirements imposed by the war, all our banking power must be concentrated in the Federal Reserve Banks and made available in the operations of the system. On October 13, 1917, the President of the United States made public, through the Federal Reserve Board, an urgent appeal for the complete co-operation of state banks. Many of these banks, inspired by patriotic motives, responded without counting the loss of long-cherished minor conveniences or profits. The membership is now gradually increasing and although most of the large state banks and trust companies have joined the system, the number of non-members is still so large as to make it difficult indeed for the Federal Reserve Board to regulate and control the financial and credit problems daily arising.

According to unofficial estimates, there are approximately 8,000 state institutions eligible for membership in the Federal Reserve System. Of this number approximately four hundred and eighty-five banks and trust companies with resources of six billion dollars have taken membership.

These figures are gratifying in the sense that the larger part of the banking power of the eligible state institutions has been added to the system. On the other hand, the *number* of new mem-

bers of this character is unsatisfactory. In a great many smaller communities legitimate expansion of industry, trade or agriculture is impeded merely because state institutions are not taking full advantage of the facilities for such expansion through membership in the Federal Reserve System.

The banker must recognize his clearly defined responsibility in this emergency. His cooperation is needed to meet the government's ever-increasing demands for material and credit. Among other things, it is of great importance that the maximum volume of commercial paper be created as the basis for the credit and currency operations of the Federal Reserve Banks. Manifestly it is the banker's duty to give the best possible service to the community upon the patronage of which his own welfare depends. As a leader in local financial activities, it is incumbent on him to place broad banking facilities at the disposal of his customers, and to encourage them to cooperate with him in strengthening the nation's financial structure.

The usual objections to taking membership seem to be that there would be some loss of revenue from collection charges, and from interest on reserves now carried with correspondent banks, but it would appear that in most cases these objections lose force when compared with the substantial advantages of membership, the principal advantages to be enjoyed under the law, as amended last June, being briefly:

(1) The privilege of rediscounting eligible commercial or agricultural paper in practically unlimited volume at favorable rates and at all times.

(2) Prompt availability of proceeds of collections effected at nominal expense through the check clearing and collection facilities of the system.

(3) The right to receive advances from the Federal Reserve Bank at low rates of interest for periods not exceeding fifteen days, on member bank's own promissory note, secured by commercial paper or government bonds or notes.

(4) The right to receive on deposit from the government, proceeds of Liberty Loan subscriptions and Treasury certificate sales.

(5) Greater security due to the certainty that the facilities of the system are available even at times when a correspondent bank might not readily meet all demands made upon it.

(6) The ability to develop new and profitable opportunities.

(7) Added prestige resulting from membership and federal supervision.

(8) Privilege of withdrawing from membership after six months' notice.

Indeed, it would appear that the state bank, upon joining the system, may enjoy every privilege extended to the national bank member without surrendering any power accorded under its state charter and without submitting to any limitations not observed in good banking practice.

It is earnestly hoped that there will be a rapid increase in the number of state banks which, acting from a large sense of national duty, will set aside all minor considerations and add their resources and support to the Federal Reserve System.

Since the Federal Reserve System was in the earliest stages of formation, the National Association of Credit Men has taken the lead in urging the development of those features of the new system which would make for improvement in our commercial credit methods.

In pursuit of this policy, your committee has selected, from the entire field of its activities, the trade acceptance as a most important means for effecting this improvement.

It has been clearly demonstrated that this new instrument will serve as an important agency in facilitating collections and in providing added security for the credit grantor; in effecting economy in the transaction of business and in bringing about a more equitable relationship between the buyer and seller of merchandise.

Our credit resources have not yet been developed to the extent that it may be assumed that the ever-increasing demands of the government may be met without curtailing the volume of credit available for business purposes.

The Federal Reserve Board, in expressing its opinion on this point, has said:

"No one should consume goods except to the extent that his consumption is necessary to maintain health and vigor. No one should draw upon the credit resources of the country except to finance transactions which are essential for a nation at war. Credit, like goods, should be saved. Conservation of credit as regards non-essential enterprises is necessary in order to provide, without undue expansion, the credit required by the government and by business essential to the success of the war and the well-being of the country."

Manifestly, every means must be employed to insure an adequate supply of credit but we cannot readily attain this end unless we utilize every instrumentality to make available the large volume of credit now tied up in open-book accounts.

In a sense, we are fortunate, indeed, for, by promoting the use of self-liquidating, rediscountable, commercially sound trade acceptances, we shall not only take a long stride toward better and safer business methods, but, at the same time, perform a service of real patriotic value in a national crisis.

A review of the trade acceptance campaign shows that most gratifying progress has been made during the year. In July, 1917, but a hundred and eighty-five business houses were known to be using the acceptance as a collection instrument—but the new method has so rapidly gained popularity that the figure given would represent only an insignificant fraction of to-day's total.

Business men have been quick to recognize the practical benefits to be derived from the use of the trade acceptance when applied to either purchase or selling accounts. By common consent of their members, many influential trade bodies have adopted definite acceptance terms, and in a considerable number of lines, extended open-account terms have been eliminated by agreement.

Large enterprises of national reputation have provided a place for the trade acceptance in their schedule of selling terms and, indeed, are finding that this instrument may be utilized to advantage in connection with their own purchases. This is notably true in the

tobacco and cotton industries where it often is necessary to accumulate large supplies of raw material many months in advance of requirements, for which cash payment heretofore has been the rule.

Under those conditions it was necessary for the manufacturers to borrow heavily at the bank while at the same time the sellers' funds, in their respective banks, created a seasonal local money glut which ordinarily was invested only in call loans, having no relation to commercial needs and uses.

The trade acceptance has been utilized with success by these large concerns as a substitute for direct bank borrowing and cash payments. In cases of this nature, the seller discounts the acceptance at bank and thus obtains the needed cash, the buyer substantially reduces his direct bank borrowings and the seller's bank makes a desirable investment in self-liquidating paper which may be realized on at will through rediscount at the Federal Reserve Bank.

The development of the Federal Reserve check clearance system has made good progress during the past year. Banks in the larger centers have adopted the plan but there is still considerable opposition from banks in the smaller localities due to the fact that many of them have depended on the collection charges as a source of revenue. The elimination of the Federal Reserve Bank charge of  $1\frac{1}{2}$  cents per item will undoubtedly result in a more general participation in the clearance system.

It is strongly advocated that a proper place in the par collection system should be provided for the trade acceptance and it is certain that any economy in collection cost will add greatly to the popularity of this class of paper.

A report of the activities of your Banking and Currency Committee would be incomplete without the following brief review of the work accomplished by a new organization with which your committee has so fully cooperated that it would be difficult to apportion credit for the results obtained.

Following the War Convention of American Business, held in Atlantic City last September, the American Trade Acceptance Council was formed with the specific purpose of promoting the more general use of the trade acceptance.

This body at present includes representatives of the National Association of Credit Men, the American Bankers' Association, the Chamber of Commerce of the United States of America and the National Association of Manufacturers, and is conducting an intensive and successful drive to create a broader understanding of the utility of the new instrument.

Although there has been a full measure of cooperation between the individual members and committees representing the component bodies of the council, each has exerted every effort to serve the common cause in his own field.

The American Bankers' Association, appreciating the necessity for creating, among bankers, a broader understanding of the movement, has appointed an active trade acceptance committee in every state, group and local banking association in the country. The friendly and constructive support of bankers being of the greatest importance, the value of cooperation of their national association

can hardly be overestimated, either in the matter of trade acceptances or state bank members.

The National Association of Manufacturers has been instrumental in organizing committees in a number of industries and these committees in turn are actively forwarding the movement.

The Chamber of Commerce of the United States of America not only gave the subject a prominent place on the program for its national convention in April but has undertaken a referendum vote of its members, the result of which, although not yet known, cannot be in doubt.

In our own Association, the Trade Acceptance Bureau of the National office has accomplished good results and your committee has successfully encouraged local associations to give the trade acceptance the greatest prominence in the year's activities.

In a large number of local bodies special committees have been formed for the purpose of sustaining interest in the subject by means of frequent meetings and the foundation has been laid for greater progress during the coming year.

As far back as November of last year your committee took occasion to point out to business men the importance of making provision for the heavy tax payments this June and the utility of the trade acceptance as one means of providing funds to meet these payments.

Numerous open meetings have been held by or under the auspices of the American Trade Acceptance Council, at which healthy discussion of the purposes, scope and practical application of the acceptance has been encouraged and a bureau of well-informed speakers has been maintained for the purpose of explaining the subject to trade bodies and other organizations seeking information.

A wide distribution of literature, including Dr. J. T. Holdsworth's comprehensive "Catechism" has been a prominent educational feature of the campaign.

The need of a standard form has been recognized and met by the recommendation of a form which complies with all legal and practical requirements.

Through the efforts of the council a large number of trade organizations have become interested in the trade acceptance, with the result that it has been adopted in many lines of trade, while in others favorable action has been taken or is pending.

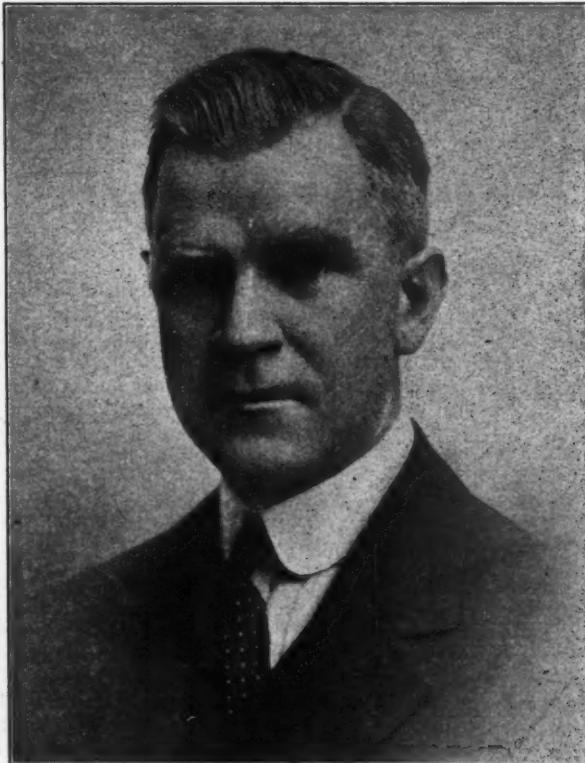
The surest proof of the business man's attitude lies in the fact that there is no known instance of a house which, having intelligently applied the trade acceptance as a collection instrument, is now willing to abandon it in favor of the old open-account system.

In conclusion, your committee begs to offer the following resolutions:

## I

*Resolved*, that the National Association of Credit Men, in convention assembled, reaffirms its complete faith in the ability of the Federal Reserve Act to provide flexible and adequate banking and currency facilities for the nation and its commerce under the most trying credit conditions and its confidence in the Federal Reserve

Board to interpret and apply the act with fairness, intelligence and patriotism, and its appreciation of the Federal Reserve Banks which, as the exponents of the act, have manifested broadness of conception and a firm desire to have this great governmental institution serve the nation and its commerce to the highest advantage of all the people.



K. R. HOOKER  
Putnam-Hooker Co., Cincinnati, Ohio  
Chairman, Committee on Banking and Currency

II

*Resolved*, that the National Association of Credit Men, in convention assembled, records again its firm belief in the trade acceptance as a credit instrument superior to the open-book account in utility, protection and value, and furnishing the basis of a more liquid and flexible medium of exchange in mercantile transactions; furthermore, releasing capital that could be utilized to advantage in normal times and that may become a pressing necessity under war

conditions, when the credit facilities of the nation will receive their severest test; nothing should be left undone or neglected that may contribute to the nation's powers for the winning of a victory in the struggle for world independence, and the trade acceptance is clearly an instrument that will help to that end.

### III

*Resolved*, that this convention, as a supplement to the foregoing resolution, would urge local associations of credit men and the officers and directors of the National Association of Credit Men to organize and promote plans that will tend to bring about the substitution of the trade acceptance for the open-book account, holding in mind such customs in our domestic commerce as should be maintained and doing nothing in the carrying forward of this project that may fairly be regarded as arbitrary.

### IV

*Resolved*, that the National Association of Credit Men, with due consideration of the privileges enjoyed by state banking institutions, would impress upon those who control them the great value of uniformity throughout our banking system and the consolidation of our banking resources and available gold supplies when so much is depending upon these facilities in governmental and commercial finance; therefore, all state banking institutions doing a commercial business are sincerely urged to cast in their influence and powers with the Federal Reserve System that thereby may be brought about gradually a completely unified banking system in the nation with a promise of constructive abilities that will see it successfully through its present task and assure the highest development of our commerce in the period of reconstruction.

### V

*Resolved*, that the National Association of Credit Men does here, in convention assembled, express its sincere gratitude and appreciation to our representatives and senators, the members of the Federal Reserve Board and the officers and directors of the various Federal Reserve Banks who have been so faithful to their tasks of conserving the financial powers of the nation and have placed the obligations of their office above personal emolument. It is because the nation has in its service men of this type truly American in spirit, righteous in ideals and ambitious only for the nation's good that we can look forward with hope and confidence to a safe exit from these days of international strife to the reestablishment of peace and concord and broadened service for our unified people.

Respectfully submitted,

KENNETH R. HOOKER, Chairman, Cincinnati, Ohio.

#### VICE-CHAIRMEN

R. B. COX, Boston, Mass.

E. S. EGGERS, Pittsburgh, Pa.

C. M. FERRELL, Richmond, Va.

CHAS. W. DUPUIS, Cincinnati, Ohio.

J. T. McCARTHY, Houston, Texas  
C. O. FINNE, Memphis, Tenn.  
A. J. RUMPF, South Bend, Ind.  
D. P. WHYTE, St. Paul, Minn.  
I. F. DOWNER, Denver, Colo.  
FRANK SEED, San Francisco, Cal.

Secretary Tregoe read resolutions, which were adopted, the fifth by a unanimous rising vote, followed by the adoption of the report as a whole.

PRESIDENT WHITLOCK—We shall now have an address on "Trade Acceptances and Cash Discounts" by that splendid country banker, George Woodruff of Joliet. (Applause.)

### "Trade Acceptances and Cash Discounts"

By GEORGE WOODRUFF

*Mr. President, Members of the Credit Men's Association:*

It is, indeed, a great pleasure for me to be able to address this organization, to which belongs the credit of having started the trade acceptance movement in our country. I am going to talk to you to-day for a little while about the trade acceptances and cash discounts.

The trade acceptance method is being widely discussed among the business men of our country and while practically every one agrees that a trade acceptance in itself is much more desirable from every standpoint than an open-book account, nevertheless, there is not the same unanimity of opinion as to some of the indirect results that will follow the introduction of trade acceptances, and among these indirect results perhaps the most important concerns the future of the cash discount. In this connection, some credit men have called attention to the criticisms of the cash-discount system that have been voiced in various quarters for some years, and they view with alarm the introduction of any new method that might bring the custom of offering cash discounts into greater disfavor.

As a real matter of fact, trade acceptances are merely substitutes for open-book accounts, and they can be used alongside of the cash-discount system, or they can likewise be used where the cash-discount system has been abandoned. In either case, the trade acceptance is unqualifiedly an improvement over the open-book account, and the difference of opinion between those people who believe in a cash-discount system and those people who do not believe in a cash-discount system should not directly enter into a discussion as to the usefulness of trade acceptances as substitutes for open-book accounts. Nevertheless, it may be interesting to note some matters of procedure when trade acceptances are combined with a no-discount plan and also when combined with the cash-discount system.

#### NO-DISCOUNT PLAN

In some trades it has been found that great abuses have crept into the custom of offering a cash discount for prompt payment, and that these abuses have brought about unfair and unscientific credit

conditions and that in some cases the discounts allowed have been out of proportion to the advantages gained by the seller of the goods. In some of these trades, the cash discount has been done away with and goods are sold upon a net basis. In these trades, it is, of course, entirely possible to introduce trade acceptances, as goods are sold for cash, or else on certain stated credit terms, and instead of carrying any such credit accounts as open accounts, trade acceptances can be taken. In time it might develop that goods would be sold at a net price for cash, or else on trade-acceptance terms at the net price quoted for cash, plus the going rate of discount on the trade acceptance, in which case the buyer would pay cash unless it was advantageous to him to get the use of the money at the going discount rate. Should this plan of operation become at all general, it would doubtless lead to some lengthening of merchandise credits, because many buyers who now borrow of their local banks on single-name notes and take their discounts, would take advantage of the opportunity to give trade acceptances in payment for their goods. However, while merchandise credits might be lengthened, nevertheless the buyers' local-bank borrowing on single-name notes would become very much less, for it would not then be necessary for the buyer to borrow of his home bank or of commercial-paper brokers to pay for his inventory purchases. Furthermore, neither would he have to borrow from these sources on his single-name notes for the purpose of carrying the accounts of the people to whom he in turn sold the goods, as he also would sell on a trade-acceptance basis, and he, as well as the original seller, would finance his business by discounting at his bank or with his broker the trade acceptances which he received. This system would create a great volume of double-name paper, self-liquidating in nature, and, when rediscounted, greatly strengthening the character of the assets of the Federal Reserve Banks. Of course, each seller would have certain contingent liabilities on trade acceptances which he does not assume at present, but, on the other hand he would be compensated by being largely relieved of the single-name liability which he now has at his bank or through his broker.

The use of this system would be in harmony with one of the most important principles of the credit man, for the introduction of this plan would result in each credit instrument evidencing on its face the fact that it had been issued to facilitate the actual exchange of goods, while our present single-name-note system does not give any such evidence, and the proceeds of the notes are oftentimes used for other purposes. However, the use of this system would not always be in harmony with another of the principles of the credit man, which holds that goods should always be financed by the community where the goods are located, for, in actual practice, the seller of the goods would usually discount the trade acceptances in his own community or in the open market. It would seem as though the question to be decided by the advocates of this plan of action should be whether or not the principle of arranging to have credit furnished by the community where the goods are located should, to a certain extent, be abandoned, in view of the fact that under our present system of issuing and selling commercial paper it has already been abandoned to a considerable extent, and in view

of the further fact that it would doubtless be more advantageous to create numerous discount markets and finance transactions in the markets where funds were the most plentiful, rather than to follow the more provincial plan of financing everything locally.

#### CASH-DISCOUNT PLAN

In a considerable percentage of trades, the cash-discount system is used and the cash discount is looked upon as the weapon of the seller to compel the buyer to pay promptly. Where cash discounts are offered, the introduction of trade acceptances will not disturb the present methods of paying for goods, except that accounts on which the discount, for any reason, has not been taken, will be carried in the form of trade acceptances, instead of in the form of open-book accounts. Under this plan of action, it would doubtless be the chief aim of the average credit man to continue to make the strongest possible effort to get cash payments and to consequently do away as much as possible with the necessity of carrying either open accounts or trade acceptances; but where it was necessary to carry either one or the other, trade acceptances would be insisted upon and open accounts eliminated. In connection with this plan, it is pointed out that the Federal Reserve Act has authorized domestic bank acceptances, and that the average buyer will be able to raise money on a sounder basis than ever before with which to take advantage of whatever cash discounts are offered. When a bill of lading is received by a buyer, he can take this document to his bank and arrange to draw a bill of exchange against the bank, which the bank will accept upon being given the bill of lading or other document conveying title to the goods. By executing a trust receipt the buyer can arrange to have the use of the goods and at the same time the bank will be secured. The buyer can dispose of the bankers' acceptance through the good offices of his own bank, or through brokers, or through other banks, as there is a great demand for these instruments, and the lowest rate of discount is granted on them. It is claimed that a bankers' acceptance is much better than the single-name note that is now used by the buyer to raise money to take his discounts, because it is legally necessary for the bank to hold title either direct or under a trust receipt to goods as security; the transaction is restricted to one concerning the sale and transfer of specific merchandise; the time for which the bill runs is usually short; the legal limit on the acceptance credit granted is in some cases not restricted to 10% of the capital and surplus of the bank, and a bank is, therefore, oftentimes in better position to take care of all of the requirements of a large customer; the Federal Reserve re-discount rate is lower for a bankers' acceptance than for a single-name note and there is already a large demand for bankers' acceptances in the open-bill market. All of these things would seem to make the bankers' acceptance method a better method than the single-name, promissory-note method for a buyer who is raising money to take advantage of his discount. Of course, banks in many cases would find it impracticable to grant bankers' acceptances based on certain kinds of goods, and in this event it would be more advantageous to continue to loan money to buyers on single-name, promissory notes; but

in these cases it is pointed out that an effort should be made to do away as much as possible with the present abuses of the unsecured single-name note by arranging to loan the buyer the exact amount of each of his invoices, in order that each transaction may represent a specific transfer of goods, and by insisting that the transaction should be financed by the buyer through his bank only for the time during which he holds the goods, because when he sells the goods he should either receive cash or a trade acceptance, and he would then be able to pay off the bank loan by turning over the cash or else by discounting the trade acceptance. It is held by the advocates of the cash-discount system that cash payment is better than any form of credit instrument and the bankers' acceptance, or a temporary single-name loan subject to the same general requirements and conditions as a bankers' acceptance, is a much better way for the buyer to raise the cash than the old method of unsecured, oftentimes renewed, single-name notes for round amounts. However, practically all of the believers in the cash-discount system agree that when cash is not paid, a trade acceptance given by the buyer is far superior to an open-book account, as it is an instrument definite in its terms, discountable at the bank, and carrying with it the very substantial and real advantages so frequently pointed out by trade-acceptance advocates and users.

Under this plan of action the cash-discount system is retained, selling credits are not lengthened, and goods are financed to a considerable extent in the community where they are located. The credit instruments created represent the actual transfer of specific goods, and there is no contingent liability of the seller except when the cash discount is not taken and a trade acceptance is received from the buyer, and even in this event the contingent liability on the trade acceptance is a great improvement over the direct liability that must be incurred under the open-book-account system, when the seller gives his single-name note to his bank in order to get the money necessary to carry the open-book account of the buyer.

#### COMMERCIAL-PAPER BROKERS AND BANKERS

The commercial-paper brokers and discount houses of the future will doubtless handle a great volume of acceptances under either of the above plans of action, and, of course, a large number of single-name notes will always remain, but our present single-name-note system could certainly be improved if in every case possible these notes were to be drawn to finance specific transactions in goods and were to run only for the time estimated necessary to sell and realize on the goods. In the meantime, bankers should realize the advantages to the whole country resulting from the reforms in granting credit that have been proposed, and by their advice and co-operation should greatly assist business through the transition period which must, of course, be experienced while the old system is gradually giving way to the new.

The acceptance system has been used successfully in practically every country in the world, and there are no such differences between our business methods and the business methods of other nations as would make it impossible to successfully introduce this system into America, and it would seem as though a difference of

opinion regarding cash discounts should not be allowed to seriously influence the rapidly spreading conviction that as to the credit superiority of trade acceptances over open-book accounts there can be no reasonable doubt.

MR. JOANNES, Green Bay—I am glad to hear there are two sides to the trade acceptance question. If all its friends were wholesale grocers, I would have no trouble in having them agree with me regarding trade acceptances. The trade acceptance, as it is explained, is good in the right place. It is a good catcher, for it is catching up the fellows that trail behind in settling their bills and that is a splendid thing. (Applause.)

I take the position that a wholesale grocer who takes advantage of the cash discount is injuring his credit with his banker if he goes to his banker and says: "I want to borrow money with which to discount his bills." I want to say that he will get at least five times as much money by putting his request in that form than if he was known not to discount his bills. I will ask Mr. Woodruff if he is furnishing money to any wholesale grocer in his city. Now, if he sees that one of them is using trade acceptances in paying his bills, will that man have the same high standard with his banker as the man who comes to him and borrows the money with which to discount all his bills. I will ask, honestly, to which man does he loan the more readily?

MR. WOODRUFF—Brother, you are up against the wrong fellow with that question, because we have one house in Joliet, not a wholesale grocer, but, nevertheless, a wholesaler and a jobber, who had a single-name line of credit with us of \$25,000 and here about a year ago he put in the trade acceptance system. He takes and gives trade acceptances. He has a line of credit with us now of \$75,000 (Applause), all of which, however, I may say, is made up of trade acceptances.

Of course, if he wants an unsecured line for a little extra to boost him over the peak he can get it. We never had expected to give this man so large a line of credit, but the trade acceptances he brings us are so excellent, the ratings of the people who have accepted the acceptances are so good and our investigation of them through the banks is so satisfactory that we do not know where we could get any better paper than that which he brings to us and consequently we are glad to give him a much larger line than we ever gave him before. He stands absolutely A-1 with us. (Applause.)

MR. JOANNES—if he could borrow the money and borrow it of you to discount his bills, would he make more money in borrowing it of you and discounting his bills or in giving trade acceptances?

MR. WOODRUFF—That is his business; I have not figured out what he does.

LEE M. HUTCHINS, Grand Rapids—May I ask if this party who discounts his trade acceptances with you does not use the proceeds of his acceptances to discount for his purchases?

MR. WOODRUFF—I presume he does to some extent. I know he is not opposed to giving trade acceptances. Of course, the fact may be that he takes discounts if he can get them, I presume he

does, but on the other hand, he is glad to give a trade acceptance for purchases.

MR. HUTCHINS—We do the same thing, but when we discount our trade acceptances with our bank we in turn use the money thus obtained to discount for our purchases.

MR. GILLESPIE, Detroit—I want to know whether trade acceptances are not invariably given less cash discount?

(Majority of convention cries "No!")

We use them that way.

SECRETARY TREGOE—What is your line, Mr. Gillespie?

MR. GILLESPIE—We are manufacturers of stoves.

SECRETARY TREGOE—The Michigan Stove Company of Detroit is an old concern of high standing, and, Mr. Gillespie, I want to say is one of the parents of this organization; he was at the Toledo convention of 1896. (Applause.)

MR. WOODRUFF—Mr. Gillespie asks if it is not a fact that usually the cash discount is granted notwithstanding the fact that a trade acceptance is offered in place of cash.

MR. GILLESPIE—What I meant to say, Mr. Woodruff, was, are not trade acceptances drawn less the cash discount?

MR. WOODRUFF—From what I know of the stove business, I think they quite universally are in that line, but this is true of practically no other business, the reason being that stoves are sold on the basis of so much time—for instance, probably on dating, say, September 1, dating with discount. The buyers have to pay on October 1, but if they pay on October 1 they get 2 per cent. off. In most lines goods are sold on a different basis. They are sold, for instance, on September 1 with the understanding that the customer gets 2 per cent. off if he pays in ten days. He has the option of paying in thirty days net. That is the reason why in your business, Mr. Gillespie, you draw the acceptances with the cash discount deducted, but in most other lines they do not. (Applause.)

JESSE SPURGEON, Ottumwa—As a wholesale grocer, I rise to take issue with the wholesale grocer who spoke a moment ago. (Applause.) The reports sent out by the Wholesale Grocers' Association and the different wholesale grocers' associations show that the percentage of outstanding accounts on the books of the wholesale grocers average about 100 per cent. In Iowa it will run less than that, but it will be found close to 100 per cent. If the wholesale grocers of the United States were selling on the trade acceptance, the trade acceptances that they received from customers and discounted with the banks would net them twice as much as the money that they have to borrow at their local banks, so they would need no credit on one-name paper and they would have enough money on hand, each of them, to start a new store if they took trade acceptances. (Applause.)

M. WEIL, Lincoln—I want to ask Mr. Woodruff a question relating to Mr. Gillespie's point. He says, I believe, that stoves date sixty days ahead with thirty days' time and 2 per cent. cash discount. How will you handle a trade acceptance that has a

discount at the expiration of a specific time and then dispose of it to the bank? Who will take off the discount and who reimburse the banker for that discount?

MR. WOODRUFF—The terms they sell upon give the date September 1. Then, I believe, they give thirty days' time in that industry. In other words, while they date the account September 1, nevertheless, the account comes due on October 1, but if paid within the first ten days of October—

MR. GILLESPIE—The terms are September 1, sixty days net, 2 per cent. off thirty days. We take a trade acceptance for the net amount of the bill less cash discount due October 1.

MR. WOODRUFF—Here is the point Mr. Weil is asking about: In case you take a trade acceptance, you draw the trade acceptance, we will say, for \$100 less 2 per cent. discount, making it \$98. You date your invoice September 1 and make this due on October 1. If he pays it on October 1 he is entitled to the 2 per cent. cash discount. He accepts this acceptance and you sell it to your bank and your bank sends it down on the first day of October and at that time the buyer says: "I have decided that I do not want to take the cash discount, for I must have the thirty days' extra and I will pay the net account on the first day of November." What happens to the trade acceptance in that case?

MR. GILLESPIE—It is new with us this year and I have not had any experience, but if a man signs a trade acceptance due on October 1, the acceptance is payable on October 1. It is a signed agreement; there are no other terms; the terms then revert to October 1.

MR. WOODRUFF—That is a question that has come up repeatedly. It was up the other day at the trade acceptance meeting here and it was decided to ask the Trade Acceptance Council to work out a definite plan to handle such case. The reason it has not been worked out in practice is probably this: When the man sends the trade acceptance to the buyer, even though he may send it in June on a September 1 dating, he has in practically every case I have heard about asked the man to make up his mind in June whether he will take that discount or not and the buyer decides to do it and consequently he has signed the acceptance and sent it back.

Of course, as soon as the acceptance is received then it is all right, for you can put it through your bank because it is due on October 1. In one case I heard of, the buyer changed his mind on October 1. He found he was not going to have the money to meet the acceptance. In that particular case, he wrote a letter to the seller of the goods, saying that he would be compelled to take thirty days' extra time, but that he had given the seller of the goods a trade acceptance which was due on the first day of October and wanted to know what to do about it.

The seller took the matter up with the bank where he had discounted the trade acceptance and asked the bank to present the charge back against his own account on the first day of October and then the seller made an arrangement with the buyer to grant him the thirty days extra. He should have taken a note as a renewal

of the trade acceptance, but in the particular case I have in mind he let it go for thirty days as an open-book account.

There is also the important question of anticipation discounts, which makes it even more complicated, and there are all kinds of complications that will come into selling on dating with discounts and with anticipation discounts, and consequently, the other night it was decided to ask the American Trade Acceptance Council to have their legal advisers go over the matter and draw up a definite plan of action that could be used and that would be satisfactory to the banks, and I believe that the Trade Acceptance Council will make a report within a reasonable time.

MR. WEIL—In speaking before our State Retail Hardware Association last winter that very question came up. One of the best merchants in our state opposed giving trade acceptances and almost defeated the resolution that was introduced and was finally adopted. He declared that he could buy his stoves in February, have them shipped in June, go four months' time and he did not intend that he and his association should go on record as being willing to furnish capital to the stove manufacturer. It took the hardest kind of work to convince that member that we, the banks, were furnishing the capital in either case.

We have that weakness in our trade acceptance. I am speaking as a friend of the trade acceptance, one who has advocated it, dating ahead, sale of merchandise, settled at all times with discount date. You will never make the trade acceptance a popular and satisfactory instrument, one which will be universally used until you who pass on credit and extend credits will cut your terms, your cash discounts, your dating ahead.

The time is here for us to sell merchandise on short time, do away with cash discounts, put our business on a sound basis, and we can to-day establish right principles of doing business.

Take the manufacturers of shoes, for instance. See what they have accomplished. Again, note the improvements in the clothing line. Since I came here I have been advised that some of the knitting mills have put their goods on a ten-day net cash basis or ten days' acceptance. Why can we not all get together on this question? You who are here and are dealing with larger lines perhaps do not come in contact with the smaller questions as we in our community and business do.

We have a customer in our city who had a limit with us of \$25,000. All the merchandise he buys from the manufacturers comes with bill of lading attached. He must pay cash for them. We could not extend more than \$25,000 in credit. We have helped to educate him to sell his goods June 1, ten days, October 1, net, and to-day we carry \$80,000 of his trade acceptances and not one dollar of single-name paper. (Applause.) He realizes upon his sales just as fast as he delivers the goods. (Applause.)

We must educate also the retailer. We are studying together to improve our own methods, but we are doing very little for the retail merchant. What have you endeavored to do to help the retailer to get his money from the consumer? That is where our greatest trouble lies—we must commence to educate the retailer so

that he will know better how to dispose of his goods. Instead of selling them to the farmer, one house competing with another, the study should be as to how to get the money to meet trade acceptances. (Applause.)

MR. WOODRUFF—I wish I had time to answer our friend on that retail subject, because I am a crank on that subject myself. He says that we should use some method to teach the retailer to make his collections better. The answer is to use trade acceptances. I want to say, in passing, that in connection with the difficulties in the stove business, for we have a stove factory down in Joliet, I have a pack of trade acceptances that high (illustrates) and they are fine trade acceptances, all signed by stove dealers. They are our best paper. We value them highly.

There is one other point that I want to call attention to for a minute. Mr. Morgan of South Bend called my attention to the matter of revenue stamps on trade acceptances, which we discussed the other night for a few moments. Somebody asked the other night who affixed the revenue stamp in trade acceptances and we replied it was the usual custom in most cases for the seller of the goods to affix the revenue stamp after the document had been returned to him when he completed the signature. Mr. Morgan calls attention (and other men have had the same experience) that it has been possible to have the buyer affix the stamps under the theory that if a man goes to a bank to borrow money, the bank does not affix the stamps, but the man who borrows the money supplies the stamps and pays for them.

In Mr. Morgan's experience he tells me that in all cases he has asked the buyer to affix the stamps and he had no difficulty in getting that done, a very important thing for us all to have in mind. In connection with this matter, we have made every effort we could to get before the proper leaders in Congress the great importance when considering changes in the revenue bills being made this year to cut the stamps off of trade acceptances, and I hope that we may have some success in getting that done. (Applause.)

(Limit of time for discussion was here declared reached.)

PRESIDENT WHITLOCK—The next in order is the conference subject, "Causes and Symptoms of Commercial Failures; Remedies and Treatment of Them," led by W. E. Tarlton of St. Louis and H. T. Hill of Nashville.

#### CONFERENCE SUBJECT

#### **"Causes and Symptoms of Commercial Failures; Remedies and Treatment of Them"**

By W. E. TARLTON of St. Louis

*Mr. President, Mr. Secretary, Ladies and Gentlemen:*

It shall be the purpose of this paper to show that commercial failure, like success, is due primarily and certainly to man himself and that, generally speaking, no business is a success unless properly conducted and, likewise, a business does not fail if properly conducted.

It is necessary, first of all, to quote a few simple but reasonably

accurate figures. In this country there were thirteen thousand commercial failures in 1917; the smallest number since 1911, and with the smallest liabilities since 1909, although there were more than two hundred and eighty-five thousand more businesses in existence last year than in 1909. The percentage of failures in business to the total number was considerably the smallest of which it is possible to find any record, with one exception. With this fact in mind, please note that 85 per cent. of all of these failures last year were directly traceable to the faults of those making the failure and in the remaining 15 per cent. there has been classified such causes as competition, war, floods, failure of others, etc., some of which could have been circumvented by a far-sighted, more efficient business man.

You should always have in mind also that included in the above are only actual failures. The hundreds of business establishments that are dead but for whom the undertaker has not yet been called have not been included. Incompetence, lack of capital, inexperience, ranking in the order specified, account for 74 per cent. out of the 85 per cent. referred to. Fraud, speculation and unwise credits make up the balance. After having carefully compared this record with that of preceding years, it was noted that the percentage of causes is fairly comparable throughout, the only noticeable variance being an annual small increase in those due to incompetence. Our first definite conclusion, then, would be that the principal cause of commercial failures is incompetence, embracing, as it does, actual lack of business ability, starting business with too little capital and inexperience.

The symptoms of a sick business are, at times, unusually difficult to diagnose; nevertheless, they may be recognized by the alert credit man, and constructive methods are often so skilfully suggested and so successfully applied as to rescue the patient before it is too late.

One of the very first noticeable symptoms, and one nearly always in evidence where there is serious trouble, is slow payments. No healthy, well-conducted business will allow its bills to drag. Excessive buying in certain lines, an inclination to pass discount dates, to buy on long-term credits, and lack of attention to important details, selling at too low a margin, frequent so-called closing-out sales to raise money quickly, buying in scattered markets, renewing instead of paying bank loans, perverse adherence to obsolete ideas and unwillingness to adopt modern methods of approved retailing, a dropping-off of sales, an increasing overhead without a sufficient increase in volume, extravagant living, too much capital tied up in fixed assets, the giving of chattel mortgages, speculation, injudicious or no advertising, failure to keep proper accounting records, unattractive storekeeping methods—are all serious symptoms, and while no one is necessarily fatal, they must be carefully analyzed by the credit man in order to avoid development into serious complications.

All of the symptoms mentioned above can be accumulated and carried into one chief and primary heading under the term "Incompetence."

There are far too many men who embark in business without a

sufficient knowledge of accounting, cost and profit, advertising, special sales methods and many other absolutely necessary requisites to a modern, successful mercantile establishment.

Dealing with the question of accounting, every credit man within the sound of my voice has had seriously to consider the inaccuracy of property statements that have been passed to him from our retail friends and which carry with them inaccuracies that are appalling. Probably 50 per cent of all property statements made out by the ordinary retail merchant are in error to some extent, due to inefficiency, not crookedness, ninety-nine times out of a hundred. It is inefficiency that causes a man to list his stock at cost plus anticipated profits, his notes receivable at par, his real estate at what he wants for it instead of what he paid for it. It is due to inefficiency that he fails to keep accurate records of his indebtedness so that a statement may reflect that feature of his statement fully. There are also other striking evidences of inefficiency aside from those which are indicated through property statements. It is inefficiency that prompts a man to buy an article at \$1.50 and sell it for \$2 when he knows he must get a gross profit of 33 1-3 per cent. in order to leave a satisfactory margin over selling costs and overhead. It is inefficiency to which is traceable the fact that so many mercantile stocks are unprotected by a sufficient amount of insurance. It is inefficiency that causes the merchant to accumulate from season to season unsalable, out of line, obsolete merchandise.

With these facts before us, it would seem that there is a big responsibility resting upon all to assist in every way to put before the retail merchants of this country every bit of information possible pertaining to systematizing, selling, display advertising, retail financing, accounting, etc., and every member of this Association should be a self-appointed member of the credit education committees and the business literature committees, and such other committees as have in hand work of this character. Just imagine, if you please, the result of, say, five or ten years of this sort of constructive work, with every credit man in the country passing on to his customers ideas that will strengthen and build up the knowledge of the retail merchant. Within a decade those of our merchants that had been able to absorb this information and who were able to measure up to the standard, would be working along lines so fundamentally sound and safe as to produce an economic era wherein failure from causes from within would be a negligible quantity indeed. (Applause.)

Before the credit men of this country, however, can take their part in such far-reaching and constructive work as this it is necessary that we pay more attention to the intensive training of our younger men who are coming on to take the place of those now responsible for the extension of credit and that the vision of those of us who are still active in this field be broadened. We must have the ability to discern trouble quickly when it is there, as a careful analytical diagnosis of a man's entire business is quite frequently necessary in order to prevent further difficulties. A credit man, accordingly, must be able to analyze and to do it thoroughly. He must be something of a merchant, something of an accountant and,

above all, he must know men. I have always liked to feel that some day in the not too distant future there would come a time when it would be necessary for a man about to embark in business to appear before some examining board, duly authorized by some department of his state, and pass an examination as to his moral, financial and mental responsibility before launching out in the business world. (Applause.) We examine our lawyers, our doctors and plumbers, and even our barbers (Laughter), and it does seem that it is not too theoretical that we should also, in some way, arrange to prevent men from entering business whose record along these lines is not satisfactory. Many a business failure can be counted on before even the start is made. It could often have been prevented by intelligent credit men who, by their attitude, inspire that measure of friendship from their merchant friends as will cause the merchant to look upon the credit man as an adviser. In such a capacity the merchant, as a rule, is open enough and frank enough to put his financial cards on the table at sufficiently frequent intervals to enable the credit man to advise with him intelligently. This frankness and a free discussion of actual conditions by the merchant will avert many a business crisis. One of the big problems of to-day is so to arrange our affairs that we can meet personally more of the customers of the firms we represent and by tactful, intelligent attitude get so closely in touch with their affairs that we will be able to advise them and help them to avoid any impending difficulties. Constructive criticism, studied efficiency instructions, thoughtful advice along lines of merchandising and advertising, are all within the province of the thoroughly capable credit man, and properly used, will prevent many commercial failures. This, I know, is a broad, comprehensive viewpoint, but it is not beyond fair expectations. Visits of a credit man to the customers of his company should be so developed as to make it possible for the merchant to look upon the credit man as his friend.

Fraud as a cause for commercial failure is something with which I have absolutely no patience. Fortunately, the increase has been small during the past decade. As credit men, we are solely responsible for this increase. Our apathetic attitude towards these commercial vipers is solely to blame. Serve your Association for a year or so as a member of their investigation and prosecution committee and then see if I have put the matter too drastically, and, by the way, through our investigation and prosecution committee, if and when properly supported, lies the only remedy for this character of failure.

I am not quite convinced that the Chinese system as it relates to business failures is ideal, yet it has commendable features. Over there, when a merchant cannot pay, a committee is at once called to decide whether he can continue in business or not. If its decision is that the business be discontinued, the merchant is forever disgraced and cannot again go into business. I rather like, instead, our indomitable American "Never say die" spirit and the feeling "If at first you don't succeed, try again." But far too often a business failure, savoring strongly of rank inefficiency, carelessness and sometimes of fraud, is too quickly forgotten by overzealous selling agents and weak-kneed credit men. Where there is

an attitude on the part of the merchant to take into his confidence the credit man of the houses to whom he is indebted, and where there is no evidence of fraud, where there is a perfectly harmonious feeling between debtor and creditor, let us not be too quick to adopt action that will endanger the future business of such a merchant. Many a business with a safe margin of assets over liabilities has been completely ruined by unwarranted, impetuous action on the part of one or more creditors. Adjustments made through the bureaus of local credit men's associations are saving millions annually to the commercial public and the possibilities along this line have only just been opened up. Every credit man of experience can recall dozens of cases where timely action of this character has saved the merchant from failure and the creditors from loss.

Much care must be used by our associations, however, in the selection of the men who head the adjustment bureaus affiliated with us. The character and ability of these men, I am proud to say, is very high, but we must be sure that it does not in any way deteriorate, cost what it may to keep it up. Choose the directors for these bureaus only after mature deliberation and then let these directors not fail to give the necessary time and attention to the work. The constructive efforts of the past several years that have prevailed can be materially affected in six months or a year by two or three weak spots scattered throughout the country.

Summarizing, let us freely admit, first of all, that the bulk of commercial failures are undeniably due to incompetence; second, that a large number of commercial failures can be prevented by constructive work on the part of our credit men and our adjustment bureaus; third, that the field for this character of work is unlimited; fourth, that only by a long period of cheerful, constructive help from the credit men of this country can we hope to bring up the standard of American retail merchants to that point where commercial failures are materially reduced. (Applause.)

#### CONFERENCE SUBJECT CONTINUED

By H. T. HILL of Nashville

*Mr. President and Gentlemen of the Convention:*

The average net bad-debt loss in the United States for the past six years has been approximately one hundred and fifty million dollars per annum. It is difficult, indeed, to realize the significance of this amount of loss that is being sustained annually by the business interests of this country. It has been estimated by some authorities that at least half of the bad-debt loss is preventable. If these estimates are correct, there should be a reduction in the bad-debt loss of the United States of about seventy-five million dollars per annum.

To give you a concrete idea of what could be accomplished with these seventy-five million dollars of preventable bad-debt loss, this amount would build three new battleships complete; it would provide three and one-half million rifles; it would maintain in the fighting zone seventy-five battleships for one year; it would feed for eight months seven hundred and fifty thousand of our brave boys who are now in France fighting for the freedom of the world; it

has been stated by some one that it is possible that the nation that has the last one hundred million dollars will win this war.

If this money can accomplish so much at the most critical time in the history of the world, when the freedom of our people is at stake, do you not think we credit men should realize more fully our responsibility and our duty to our country by exerting every possible effort to reduce to a minimum this tremendous waste that is caused by commercial failures?

For a period of over thirty years Bradstreet gives the causes of failures as follows: Incompetence, inexperience, lack of capital, unwise credits, neglect of business, speculations, personal extravagance, and fraud. More than half of the failures during this period were caused by incompetence and lack of capital. This would indicate that a large number of merchants entering business have little conception of the fundamental principles that govern business transactions. They do not appreciate the fact that a certain amount of knowledge is necessary in order to be a successful merchant. They do not appreciate the necessity of keeping accurate records of their business; nor do they appreciate the necessity of keeping their stock in order and selling dead stock, if necessary, at a sacrifice; nor the importance of turning their stock over as often as possible; nor do they appreciate the importance of collecting their accounts promptly and of extending credit only to those who are entitled to it.

R. G. Dun & Company has stated that the average life of the successful general store is twenty years—then it fails. WHY? Simply because the owner does not keep abreast with the times. When the store is small the merchant is able to remember everything in connection with his business. He is able to remember the amount he paid for each item and he usually sells it for a profit; but when the business begins to grow he is not able to organize properly. You know, expansion, without proper organization, means FAILURE.

The owner of a successful store must be able to grow with his business—to see that the proper accounting system is installed and that he has a proper record of his stock of merchandise; and his records must show any defect or weakness in his business.

One of the first things to indicate that an account needs more than the usual attention is when payments begin to drag. Another is when unfavorable information of any kind is received relative to a debtor. This unfavorable information embraces, of course, any financial difficulty, any lack of attention to business, extravagance or bad habits. As soon as an account requires more than the usual attention there should be obtained information as to the condition of the particular territory in which the debtor is located. We should ascertain whether or not delayed payments are caused by unfavorable weather conditions or some local disaster; or, if it is due entirely to the debtor that he is not meeting his obligations promptly. If it is due to some causes over which the debtor has no control, we must make him understand that the creditor is his real friend; give him the proper advice and help him in every way that we can over his difficulties. If it is due to causes entirely within the control of the debtor, we should explain to him his

responsibility to his creditors, and tell him fully what his creditors will expect of him, show him, by conducting his business along proper lines, that he will have the confidence and cooperation of his creditors. And, if the debtor does not heed this advice, the next thing to do is to get the money as quickly as possible.

One of the main factors in reducing the bad-debt loss of the United States is education. I mean education in its broadest sense; that is, we must educate the retail merchant to realize fully the responsibility that he owes to his community and to his creditors; and we must educate the credit man to realize his responsibility to his customers, to his firm, to his Association, and in these trying times, to his country. The greatest factor in educating the merchants, the credit men and the entire commercial world during the last twenty-two years to higher ideals, to more efficient methods of doing business and to a higher standard of business ethics has been the National Association of Credit Men, which is the largest and best trade organization in the world to-day, the leader in all constructive work for the betterment of all lines of commercial activity.

The work of the National Association of Credit Men along educational lines has, indeed, been remarkable, and the results that have been accomplished have been even more remarkable. In 1896, the year the Association was organized, 1 4-10 per cent. of all merchants engaged in business failed. Last year only 71-100 of 1 per cent. failed, and during the twenty-two years intervening, down to the present time, the number of those failing has not been over 1 per cent., except during one year, that was during the year 1915, when, as we all know, failures largely increased owing to the outbreak of the European war the year before.

While the Association would be the last to claim that it was due entirely to its influence that these remarkable results have been obtained, yet its influence and its work has been a most decided factor in reducing the number of those failing about 50 per cent.

The Association, through its credit department methods committee, is doing a wonderful work in educating the retailers to the importance of better business methods and especially to the importance of a better system of bookkeeping.

The credit man should cooperate in the broadest and truest sense with all of the activities of the Association. By doing this the bad-debt loss could be reduced. He should patronize the adjustment bureaus which are now established in practically every large city throughout the country. These bureaus are in the hands of competent and capable managers whose records have been remarkable in the dividends that they have received from insolvent estates.

Do not place your claim with the first collection agency or attorney that solicits them, but make a thorough investigation and consult with the adjustment bureau nearest you and give the adjustment bureau the full benefit of any information you may have in regard to an insolvency. Do not act hastily, but always secure detailed information before you place your claim against an insolvent debtor. The credit man often receives information which cannot be obtained by attorneys or the adjustment bureau, and

oftentimes if the true condition of a debtor's affairs is taken advantage of by the credit man the bad-debt loss can be avoided in many instances.

The legislative work of the Credit Men's Association has been a determining influence in reducing the bad-debt loss. Through the legislative work of the Association, conditions continue to improve, because the Association does not stand for anything except constructive legislation and legislation that will be beneficial to the entire commercial world. I do not believe Credit men in general fully appreciate the tremendous power of the Association in its legislative work and I am confident that this power has been developed by reason of the fact that the Association has never asked for any law that was not for the greatest good to the greatest number of people.

There is a time coming that will try the very soul of the credit man and that time is after the war, when the readjustment or re-action is taking place in the business world, and I hope that I may impress upon credit men the importance of better and closer cooperation at this time, and in the future, than ever before. We cannot solve our problems and do the most good for our country if we do not stand closer together and help bear one another's burdens and assist in solving the mighty problems that will confront us at that time.

I believe that the credit men are cooperating with each other better to-day than ever before and at this crucial time in the history of the world our country needs closer cooperation among the credit men, just as it does in all other lines of activity; and I believe the credit men fully realize the responsibility that they owe to their country, and that the effort they will put forth from now on will reduce the bad-debt loss to such an extent that it will be acceptable to every one engaged in business.

Just as our boys in France are fighting that the world may be a safe and decent place to live in, just so do I believe that the army of twenty-five thousand credit men is going to march shoulder to shoulder and present a solid front to the difficulties that confront them. By their united efforts and with a true conviction that they are fighting each day the battle for right, that by their battling they are going to make the business world stand for higher ideals, higher standards of efficiency, the commerce of this country is to take first place in that long constructive period that is to follow this war and, indeed, is already under way. (Applause.)

SECRETARY TREGOE—Mr. Tarlton, you say you have granted credit to commercial failures; do you believe that if you had been sufficiently alert you could have discovered in each account the symptoms of failure?

MR. TARLTON—I think that every commercial failure can be made use of by the credit man in such a way that it will mean big benefits to him. Now, whether or not it is possible to say that we could have escaped a particular failure or could have saved his account had he been more alert, I do not think I am competent to say. I will say this, however, that I have been interested in a number of failures which I had no right to share in. In those cases it

was a question of not being sufficiently alert, but I have been in failures which did not exhibit the elements of failure when the order was checked and it would be largely a matter of luck to have been forewarned.

SECRETARY TREGOE—How many of the failures you shared in do you believe you could have escaped if you had been wise enough?

MR. TARLTON—if I had the accumulated wisdom of many years' experience possibly 75 per cent. to 85 per cent.

SECRETARY TREGOE—Now, Mr. Tarlton, is it your obligation and duty as a credit man to save your house or save the merchant?

MR. TARLTON—I believe that a man's first obligation is to his fellow men insofar as it does not materially affect the standing of his firm. I think that his first obligation is to correct the evil if he can that lies with the merchant, even though he takes chances of experiencing small losses in a few cases. (Applause.)

A. SHERWOOD, St. Louis—Mr. Tarlton has the reputation of being a keen diagnostician, a specialist in his line. He points out that we must educate these merchants and in St. Louis he points out that to educate the man, the man who buys from his house is doing his house the biggest service. He also is demonstrating to his followers in St. Louis as he goes along that as he serves he grows. Mr. Tarlton perhaps did not make enough of the big point, that the credit man has the opportunity to serve and that Credit Men's Association has the opportunity to serve the city, the community, the state and the nation and that we should have this opportunity before us as a keynote all the way through—Service. (Applause.)

CLARENCE BRADEN, Louisville—I think that our first obligation is to the house that pays us and that the merchant who owes the house that pays us comes second.

F. R. HAMBURGER, Detroit—The first duty of a credit man is to his house, the house which he serves. It is his duty to prevent losses, but not at the expense of minimizing the profits of that concern and in acting with the sales department he can do that very thing. It is splendid sentiment to express the thought that we must help the other fellow, but in your own hearts you know that your first duty is to your house; the house that pays you the salary and the house which you serve.

Leaving this particular phase of Mr. Tarlton's address. After an experience of twenty-five years in credit lines, I have reached the conclusion that it is absolutely necessary for a merchant to possess the capacity and ability in the conduct of his business. I do not care how much money a merchant may have at his disposal, I do not care whether he measures up to the moral law 100 per cent., if he lacks ability in the conduct of his business that man will fail in business ninety times out of a hundred, regardless of the fact that he has unlimited capital to conduct that business.

There is a man operating in my city to-day who has made a failure four times. He has always had sufficient capital for the conduct of his business, he is a man whose character is above reproach but he lacks ability and therefore it has been said by one of his creditors, "If you give that man \$250,000 on the 1st of January

and give him a free hand to conduct his business, on the 31st of December he will not have a dollar left, because he lacks the ability to conduct his business."

S. P. LUBETSKY, Grand Rapids—I think if credit men in general would pursue the policy of Mr. Tarlton instead of that declared by Mr. Hamburger eventually you would have less failures because the average debtor, if he realizes that the policy pursued by the credit men is to help him, will be less apt to go wrong.

MR. SMITH, St. Paul—Mr. Hamburger is thirty years behind the times. He is advocating the old exploded theory of "every man for himself and the devil take the hindmost," and it would wreck the Credit Men's Association if any such thought were exploited.

SECRETARY TREGOE—We are talking about the prevention of commercial failures. You take a community and a contagion occurs. An effort is made to stamp out the contagion. Suppose everybody packed his goods and left and those infected were permitted to remain with nobody to look after them. There are certain obligations upon the credit man that he cannot neglect.

MR. TARLTON—We are fighting over in France right now against the same spirit that Mr. Hamburger mentioned a while ago, that is, your first duty to yourself; the first duty is to your house that pays you. This great conflict across the water is waged to-day for the purpose of stamping out that particular idea. Our first duty is not to ourselves and not to the man that pays us, but the men who are around us, our friends and our fellows. (Applause.)

SECRETARY TREGOE—Mr. Hill, is slowness a symptom of failure?

MR. HILL—Not necessarily, because slow accounts do not by any means always fail.

SECRETARY TREGOE—How many proportionately fail?

SAM DAVIS, Cleveland—Why are they slow accounts?

MR. HILL—There are different reasons. Some reasons go back to the man himself, some to local conditions over which he has no control. Many things may cause a man to have a slow account, for instance, lack of capital and extravagance. Of course, sometimes if a fellow wants to beat you he starts by getting slow.

MR. DAVIS—When the credit man gets closer to the retailer he will find that it is not the merchant who fails, but the storekeeper. He will learn to discriminate between a merchant and a storekeeper. Many storekeepers are so busy making mistakes that they haven't a chance to make a profit. They are working from the neck down. (Laughter and applause.)

A certain firm in Ohio was slow in its accounts. I looked into their buying methods and into their merchandising methods. The average retailer to-day is doing altogether too little business with too much stock. He is not a merchandiser. This firm was not paying its bills. I went down there and I found that the proprietors were susceptible to every glib-tongued salesman that came along. Among their departments they had four that did not belong under their roof. Their capital was tied up in a non-moving stock which

had become a stagnant pool instead of a fresh running brook. We got rid of those dead departments and these people are to-day discounting their bills and buying a great deal more than formerly.

Twenty-six years ago I told a wholesale house in this city that if they wanted to increase their output then let them first increase the outlet of the retailer and help him to sell what they buy. We soon had this wholesale house known as the house that helped its customers to succeed. If you understand merchandising, Mr. Credit Man, if you understand the turnover system, Mr. Credit Man, you are going to make merchants out of your customers. The trouble with most of them is that they are doing so much \$10-a-week work that they are working a weak \$10 business. (Laughter, applause.)

MR. CAMPBELL, Cleveland—There must be a certain danger-point which probably varies with different lines of trade relative to overbuying and slow payment. Would it not be possible for our interchange bureaus to analyze from the last reports on failures due to these causes the danger-point for various lines, at least something that we might point out from the detailed reports and say there is a case that is getting too slow, there is a case that buys too much, etc.? It will require special investigation.

(As the time for discussion was here over, Mr. Tarlton and Mr. Hill received a hearty round of applause.)

PRESIDENT WHITLOCK—When the smoke of the last gun of this mighty war of nations clears above the defeated hosts of autocracy, then will come the reconstruction for world-wide democracy and industrial and commercial advancement on a scale little understood at the present time. In this connection, we are honored to-day by the presence of a representative of the Chamber of Commerce of the United States. He will speak to us on the vital subject, "Preparing for the Future."

I take pleasure in presenting F. N. Shepherd of that splendid organization. (Applause.)

### **"Preparing for the Future"**

Address of F. N. SHEPHERD of Chamber of Commerce of the  
United States

*Mr. President, Ladies and Gentlemen of the National Association  
of Credit Men:*

When your capable and dynamic secretary asked me to come out here and address you upon the subject, "Preparing for the Future," I naturally took it for granted that he wanted a sermon and that I was expected to give you a few suggestions on how to get ready for the hereafter.

However, at the opening session of the Trade Acceptance Council he made it so plain he was a dyed-in-the-wool Calvinistic Presbyterian I decided that, by the doctrine of predestination in which he must believe, his future at least had already been determined.

I found myself, therefore, in the position of having to discard the sermon which I had so carefully prepared and of which I thought you were in so great need and, instead, have decided

to address you for a few minutes upon something that is more material.

This convention has already discussed the subject of the war in which we are now engaged and, while I shall not undertake to lay down any specific plans of reconstruction for the future, I shall suggest a few things which I believe all of you men are ready and willing to accept.

When this war is over—and it will be over with the greatest victory for right and democracy of any war that has ever been undertaken (Applause)—economic and business problems will present themselves to this country and to the other nations of the world as they never have been presented before. It is to the discussion of a few of the things that will then come up for consideration and upon which we should at this time allow our minds to dwell that I shall address myself.

About a hundred and forty-two years ago, when this government became a Union and each of the thirteen original states surrendered some of its sovereignty in order to form the nucleus of what is to-day the greatest republic in the world, these individual states found that cooperation was to them the keyword to their future prosperity, if not their salvation.

When this war is over—this war which we are fighting to make the world safe for ourselves as well as for democracy—it will become necessary for democratic republics of this earth to cooperate in the formation of some kind of a federation of democracies so that a world war such as this will be as nearly impossible in the future as a war between the states of Illinois and Iowa is to-day. This can be attained in but one general way and that is by a league or confederation of republics.

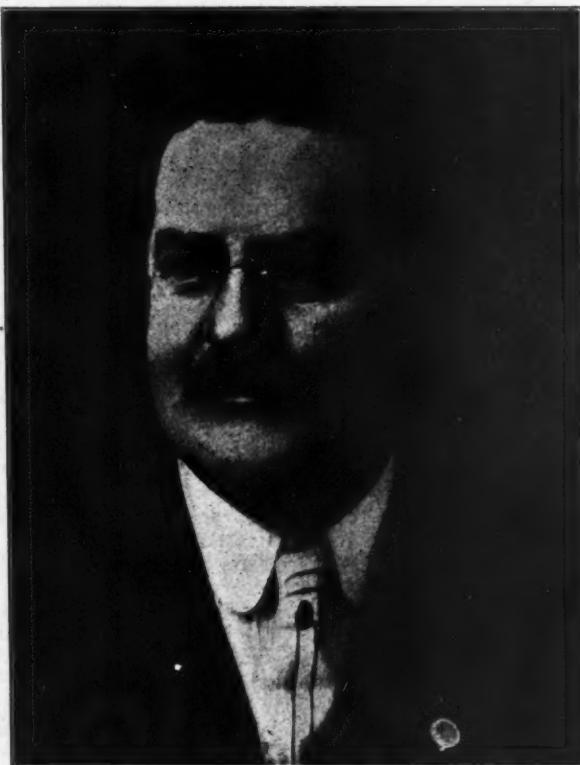
Some of our statesmen, during the last twenty years, have suggested principles that this country and England and France and our other Allies when victorious (as they will be) should adopt. What boots our success in the present struggle if the combatants but return home to prepare for a still greater conflict? We should have a confederation of republics, both political and economic, to protect democracy and prevent future wars. We should establish an international court of justice where international questions would be decided without recourse to arms. Although our young men should universally receive military training, we should, by international agreement, reduce to the minimum the standing armies and establish in their stead an international police for use only in the event that one of the members of this confederation, or some country outside of it, did not see fit to submit to peaceful arbitration the questions arising between it and any other nation.

In this confederation of democracies there should be no secret treaties (Applause); such agreements as it is deemed wise to enter upon should be made a matter of public record at some court such as The Hague.

You all know that for the last forty years Europe has been an armed camp, largely because of a selfish desire for more territory and more trade and because of underhanded, secret treaties that

only those in power and not the people had any knowledge of. This must not be allowed to occur again.

Coming to our own country alone, we should consider to-day a plan of universal training for public service. (Applause.) We thought when this war broke out that we were unprepared, but frankly we did not know how really unprepared we were. That condition must never occur again. (Applause.) When our soldiers, victorious for us in France and in Italy and in Russia, return home;



A. E. MATTHEWS  
Colorado Fuel & Iron Co., Denver, Colo.  
Director

when they have won this battle for us and for the democracy of the world, as they will win it (Applause), we, who have stayed at home must have already given thought as to how these men may be demobilized, for the problem of demobilizing and absorbing again into the business and social life of this country of these men trained and hardened at war may, if we are not careful, become an

even greater problem for us and one pregnant with greater menace to the country than has been the problem of mobilization.

The training camps, upon the construction of which we have spent millions, should, as fast as possible, be made permanent and not be regarded as a temporary thing. When our men return from Europe careful consideration should be given to their needs and, where warranted, they should be given such education as best fits them for their return to civil and industrial life. (Applause.) These camps may then be well and economically used. We are already making plans for the rehabilitation into industry of those soldiers and sailors who have been physically incapacitated for work; but we must go further than that.

Millions of our men will come back without a blemish. They will have been detached from their homes, from their jobs, from their location in the community and such as need it must be looked after and directed and educated so that they will fit in and become a contented and constructive part of our economic and social organism. It is to them that we should give particular consideration.

In addition to that, we should give care and thought and attention to the problem of instituting a permanent and definite plan of education for the national service of every boy and girl in this country. (Applause.)

Too long have we been thinking and acting provincially. Local and state pride have too often crowded out respect and enthusiasm for our national eminence and responsibility. The exigencies of the present conflict have come nearer to making a nation out of us than we have ever been before and we must not now disregard the lesson which present circumstances have forced upon us. So train our children that it will never again be possible for a Kansan of supposed intelligence to say that the people of the sunflower state were not interested in a foreign war, because, if invaded, an army would never get as far inland as the Missouri River. I, for one, am of the opinion that, so far as dollars and cents are concerned, this war is going to be worth to us every dollar that it costs.

Secretary Lane, in an address which I heard here at the Auditorium a month ago, gave voice to a constructive opinion which I think merits at least our serious consideration. As you know, he is a westerner, a Californian and a Washingtonian. He knows the problems of the west. He knows that out there lie millions of acres of arid land, to-day worthless, which can be made the most productive in the world. By building canals and ditches and diverting upon this land the streams that are now running to the Pacific, deserts can be made to blossom like a rose. He has suggested that we give careful consideration to some plan of extending credit to our returned soldiers and bringing this land under irrigation and cultivation so that every man who returns from Europe may, if he wishes, have an opportunity to establish a home which, at least in principle, is the same as was given our fathers when they returned from the Civil War. Likewise, there are millions of acres of potentially productive land in southern states that, on account of the size of the investment involved, cannot be drained or reclaimed by individual or private enterprise. We were almost staggered at what the Panama Canal cost us, but the figures were

insignificant as compared with the expenditures for the destructive work in which we are now engaged. When our men come back we will have to think in large units toward preparing a way of taking care of them and absorbing them into useful pursuits.

For a generation or more it has been the particular delight of many people in this country to badger large business organizations because a few of those organizations did not respect the power and trust that had been given them and violated the laws and customs of business fairness and decency. Unfortunately, on account of their perfidy, we have in the public mind all been branded with about the same stick. I hold no brief for the railroads of the country. I have knowledge of what they did some years ago. I do believe, however, that during recent years we have not taken the proper attitude toward the railroads or our other large business enterprises.

A generation ago we had a multitude of short, disconnected and unrelated railroad lines. The railroad men realized that some sort of cooperation was necessary for efficiency, not simply that they might better serve their stockholders, but that they might better serve the public. That view was not accepted by the people of this country and they probably had good reason to feel a little suspicious, but nevertheless, we have for the last ten or twenty years adopted a policy toward the railroads—and I am only citing them in illustration because the same thing has been true with other large business organizations—we have adopted a policy toward the railroads that militated greatly against their development and success, which, in turn, means against their service to the public.

Originally they undertook pooling to stabilize rates and in this they were checked. Later they tried traffic agreements and they were checked on that. They then found that they could cooperate and work along lines of standardization, efficiency and economy by the process of one road buying-out the other, and they were stopped on that. The people took the position that competition and not cooperation was the life of trade. Instead of allowing them to organize and consolidate under strict government regulation and supervision, they undertook to disintegrate and to keep the railroads as well as other large business organizations at swords' points by keen competition. They would have them fight each other like Kilkenny cats, believing that through lack of organization and combination and cooperation the public would profit by their discomfiture.

Magnitude was considered evidence of guilt and organizations were ordered disintegrated merely on account of size.

On the one hand the railroads were refused an increase in rates to keep pace with costs and maintain upkeep and, on the other hand, ordered to raise wages. The lawmakers have been hard put to it to keep pace with the economic progress in this country. In an age of the telephone, the wireless and the aeroplane, we have been trying to do business with the legal enactments of the stagecoach and the pony express.

Now, I am not going into this in detail further than to say that during the last six months, under Federal control, many things for which the railroad and the big industrial managers of this

country have asked for years have taken place as regards the railroads. Adjustments, economies and improvements are now being effected, many of which the railroads would have gladly effected before had they been permitted to do so and we, the people, are paying this year a tax of \$937,000,000 to build up the railroads, an expenditure which the railroads themselves would gladly have made had they been permitted to do so. (Applause.)

Economies are growing out of this Federal administration that will mean the saving of millions of dollars and the improvement of service. Whether or not the roads are returned to their owners and run under private administration, or whether it is deemed best that they be conducted under governmental ownership is beside the point that I would bring to your attention this morning. War's necessities have forced us to call upon our large business organizations and have brought about for them and our big business men a degree of respect that will mean much for our preparedness for the future.

In an effort to coordinate the industries of America and bring them in line with the government at war, there is being effected to-day, through the creation of the War Service Committees, an organization of American industries such as we have never had before. Units of industry, many of which have heretofore regarded each other with suspicion, are gathering around a council table in Washington and for their common—as well as the government—good, creating from their number a war service committee to deal with the government direct and act for the industry as a whole.

Already some two hundred and fifty of these committees, representing as many industries, have been created so that the government is no longer restricted to dealing with individual plants and factories. Through its war service committee, each industry may now voice at Washington its potential resources, keep informed of conditions and prepare on notice to meet the government needs. These committees are designed to represent, not individual plants or associations, but entire industries and, as such they are proving most helpful both to the government and business, for they provide "an organized method by which the government can quickly present to all the factors of an industry at one time its needs in a particular line and receive dependable information as to how they may be met."

In gathering information regarding the cost of production; presenting facts bearing upon priorities, the distribution of orders and the fixing of prices; in the standardization and elimination of unnecessary sizes, styles and shapes, thus conserving raw materials, labor and capital, these committees have already accomplished much.

As regards elimination and standardization, a few citations are of interest as indicating the possibilities of future accomplishment in this direction alone. By the simple expedient of reducing the size of their samples to 6 x 9 inches the woolen people have saved 221,000 yards of cloth; originally with 867 styles of wagons, the wagonmakers have eliminated over 400 different styles and cut the types and sizes of wheels from 1,250 to 50; the paint manufacturers have reduced their shades from 132 to 32; the makers of collapsible tubes, such as your tooth paste comes in, have, by common agree-

ment, standardized the caps on the tubes, thereby saving 1,200 tons of tin; plow beams, bolts, nuts and washers are being standardized, and the left-handed plow will soon be as rare as the dodo.

Of especial significance is the study, adoption and use of uniform cost accounting systems, as the result of which the manufacturer will base his bid more upon the cost of his product and less upon the bid of his competitor. I call your attention to this organization of industries now taking place under the lead and direction of the Chamber of Commerce of the United States, because I believe what is now being thereby accomplished is simply an earnest of the preparation for the future of American business and industry after the war.

We hear a great deal about the efficiency of Germans in foreign trade. I would like to cover a good deal of that subject but I am only going to take an illustration that may suggest what we may be able to do in the Latin-American trade after the war. - We have been led to believe that Germany had whipped us in South America. I want to tell you one or two things based upon the statistics of 1913, which is the last year previous to this war, when things were normal.

Germany went into South America forty years ago, competing with the English and French at the time when we sent little down there except some flour and codfish and lumber. We were not considered at all. She had her banks, her railway lines; she developed her cartels at home and everybody from the Kaiser down to the schoolmaster cooperated and goosestepped and threw the whole German industrial machine into a groove to upbuild their foreign trade. But what are the facts in 1913?

Contrary to the popular idea, in fourteen of the twenty Latin-American countries, in 1913, the ratio of imports there as between this country and Germany were as 5 to 1 and in the whole twenty of the Latin-American countries it was 3 to 2. As a matter of fact, we had no boats, we had no banks, we had no organization at home. We were not allowed to combine in foreign trade and then we had them beaten. (Applause.)

We since have an amendment to the Federal Reserve Act which will allow banks of a million or more capital to organize and own banks in foreign countries. We are now educating our men for trade in South American and other countries and we have the Webb-Pomerene Law which allows the business men of this country to combine in foreign trade; and, above all, we are building to-day for war purposes—which we are later going to use for peaceful pursuits—the greatest merchant marine in the world.

When that is done, ladies and gentlemen, I think that the American will cope with the Boche in foreign trade and give as good an account of himself as our marines just did recently on the banks of the Marne. (Applause.)

I think it is an error for us to look upon our future with anything of gloom. We have the opportunity of the ages; should prepare ourselves to meet it, and I believe we will. There will be in this country after this war a new spirit. People who heretofore never had a thought outside of the confines of their own village are beginning to think in national and international terms to-day.

When a million or two men come back from Europe, the experience they have had there will have been the Great Adventure of Life and they will return with a training and a viewpoint that will go far toward fitting them for the best there is in American life.

We should be and we are optimistic. We are going to organize and win and then America will forever be honored by the democracies and all the peoples of the earth who love a fair deal. (Applause.)

I have been much interested in your discussion this morning and the work which you are doing is to your everlasting credit. If I had correctly breathed the spirit of this war convention of the National Association of Credit Men, and I believe I have, I think it may be summed up in the lines recently added to the Battle Hymn of the Republic by Dr. Henry Van Dyke:

"We have heard the cry of anguish  
From the victim of the Hun,  
And we know our country's peril  
If the war lord's will is done;  
We will fight for world-wide freedom  
'Til the victory is won,  
For God is marching on!"

(Long-continued applause from audience, standing.)  
Announcements.

**PRESIDENT WHITLOCK**—The next in order is the report of the Committee on Business Meetings, L. E. Chandler, of Buffalo, Chairman. (Applause.)

**MR. CHANDLER**—You will find the report of my committee in printed form upon your seats and we will ask the secretary to read the resolutions for us.

The secretary read resolutions, which were adopted. Thereupon the report as a whole was adopted.

### Report of Committee on Business Meetings

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

Your Special Committee on Business Meetings had no intensive work to report on to this convention. Its activities throughout the year were of a general nature and the impressions formed of this department of the Association and how it may be maintained at a high standard will be the main burden of the report of your committee.

The gathering together of credit men at regular intervals for good fellowship and information must be counted as an important feature of the Association's activities and every impulse and plan to increase the attendance at these meetings to make them worth while and productive of beneficial results should be developed and used in an effective way. Your committee felt at the threshold of the year that the assigning of a uniform subject for the monthly business meetings of local associations would prove desirable in encouraging a concurrent study of certain live and

interesting credit subjects. This idea was followed through a large portion of the year, but because local associations were endeavoring to meet local requirements and frequently considered other subjects of greater importance than the subjects recommended by your committee, only a minor proportion of the local associations used the uniform subjects for their business meetings, and the plan probably did not accomplish all that your committee desired.



L. E. CHANDLER  
Liberty Bank of Buffalo, Buffalo, N. Y.  
Director, and Chairman, Committee on Business Meetings

In the incoming year the Special Committee on Business Meetings should study this idea closely and determine for itself whether it is one deserving of promotion as a feature of the year's program. Observing with the closest scrutiny possible, your committee was not able to follow intimately the business meetings of local associations except as the information was communicated to the National office. The impression is strong that while in some directions

and because of unusual war activities meetings languished in attendance and interest, yet a large majority showed an improvement over previous years and an increasing desire was discoverable among credit men to meet fellow workmen in the credit profession and obtain every scrap of information that was obtainable through the medium of the business meeting. We would point out this fact especially—that where credit or live business subjects were made the special feature of the business meeting the interest and attendance were larger than where the subjects were not of a character related closely to credits or to business and the speakers and not the subjects were the chief attraction. This fact leads your committee to recommend earnestly that business meetings of local associations of credit men should observe economy, as this principle is urged in other human activities and that they should be devoted largely to the cultivation of good fellowship which the nation needs for the keeping up of its spirit in the days of severe trial and to information on credit and business subjects. These two features, if adhered to in the plans and programs of business meetings, will mean the rendering of a distinct service to the nation while they are making stronger and more indispensable the meetings of local associations.

No department of association work deserves more thorough critical study and dispensing with any definite reference to what individual associations have accomplished, yet appreciating every effort they have put forth for successful and interesting business meetings and recognizing the need of brevity in the presentation of this report, your committee but emphasizes again the great value of the business meeting, the advisability of adhering to programs which will encourage attendance because of their human and business interest, the appointment of local committees that will give careful study and promotion to this department, a careful consideration of the members who do not attend the business meetings so that inquiries may be made of them why they fail to attend, and the use of all reasonable and systematic plans that will place the business meeting of the local association at a high standard of interest and information, so that in the years to come and when the nation needs the service, we shall be doing our best for men and the nation.

In conclusion of this report, thanking local committees and local officials for their courtesies and consideration, your committee begs to offer the following resolutions:

I

*Resolved*, that the National Association of Credit Men, in convention assembled, reaffirms its belief in the value and service of the business meeting and urges local associations of credit men to devote careful thought to means whereby the business meeting may attract larger attendance, prove instructive and build up the quality of credit work for which they are primarily intended.

II

*Resolved*, that it is the sense of the convention that credit and business subjects of human interest and attraction should form the basis very largely of the business meeting, that the selection of the

subjects, the arranging of plans and the getting together of the proper attendance should be entrusted to a well-organized and active committee.

### III

*Resolved*, that the continuation of the department of business meetings is earnestly recommended; that it should study the advisability of suggesting a monthly topic for uniform consideration of local associations of credit men and if approved, that the subject be announced at least two months in advance, so that sufficient time may be given to local associations for the arranging of programs and plans that conform therewith.

Respectfully submitted,

L. E. CHANDLER, Chairman, Buffalo, N. Y.

KENNETH MACDONALD, Buffalo, N. Y.

IRA D. JOHNSON, Buffalo, N. Y.

#### VICE-CHAIRMEN

WALTER C. MITCHELL, Boston, Mass.

J. H. FOSTER, Norfolk, Va.

C. B. CRANSTON, Columbus, Ohio.

L. C. BREUNIG, Indianapolis, Ind.

R. E. BEEBE, Kansas City, Kans.

R. N. FRENCH, Minneapolis, Minn.

E. M. UNDERWOOD, Portland, Ore.

Adjournment.

### Third Day, Thursday, June 20, 1918

#### Afternoon Session

The afternoon session of the third day of the convention was called to order at 2:30 o'clock by President Whitlock.

PRESIDENT WHITLOCK—The first in the order of business is the report of the Committee on Fire Insurance, J. A. Jamieson, chairman. (Applause.)

Mr. Jamieson read report, as follows:

#### Report of Committee on Fire Insurance and Fire Protection

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

The past year has made such demands upon us all in meeting emergency requirements, that some of the things that occupied leading position in our minds before the war commenced, have had to give place and await the return of peace—to get that attention and

emphasis which we all agree their importance calls for. This is true of associations as well as individuals. With both there is a capacity limit.

We have done well in past years and become a leading factor in bringing about a more intelligent understanding of the meaning of our great annual fire losses and a better appreciation of our individual and associational responsibility in getting control of a serious fire loss situation. There can be no doubt that progress was being made, for with the growth of values during the past few years there has not been a proportional growth of losses, till, of course, last year, when new elements entered in the form of great concentrations of explosives and also enemy agents became active, charged with the duty of making havoc in the production and transportation of supplies to the enemies of the Central Powers.

Though the Association's fire insurance and protection work could not be pursued during the past year in the usual course, it has not been deprived of serving under the new conditions. For instance, it has joined in urging the utmost vigilance in watchmen services and the necessity of the watchman's job being given to alert and highly responsible men, who have wits and are known to use them in emergency, for these are poor times to rely upon super-annuated watchmen for proper protection against incendiaries and bomb placers.

Another serious condition grew out of the coal famine which, of course, was in turn chargeable to the state of war. It was the complete breaking down of the sprinkler system in our largest northern cities. The intense cold and shortage of coal had necessitated drawing off the water from the sprinkler pipes, or as happened in many cases, the sprinkler system lost all value because it was frozen at certain vital points. Upon the guarantee of prompt action on the part of sprinkler systems our cities had largely depended for protection against conflagration and now when streets were piled with snow, and the cold was intense, the last great bulwark against conflagration, except only personal carefulness, was removed.

It was, indeed, a serious thing in the credit situation, already beginning to feel the strain, with men just beginning to realize what the presence of the war monster might mean, for the result of a severe conflagration at that time in one of our great cities would have been to give a hard blow to credit, just such a blow, in fact, as our enemies would have liked most to see fall upon us.

The Association joined in an earnest petition that the government discriminate in coal distribution in favor of sprinkled buildings so that the fireproof walls afforded by the sprinklers, upon which our fire departments were relying to stop conflagration, might be restored. Fortunately, the crisis was passed without the dreaded happening and it is hoped the coal administrators will be prepared next winter against the repetition of a similar dangerous situation.

Your chairman again directs attention to the Pacific Northwest, where we find a striking illustration of what continuous, vigilant,

authoritative efforts in fire protection work can accomplish. Portland, till recently, was one of the high-record cities for burnings, but now is holding its losses to the descending scale begun some two years ago, and during the first four months of the municipal year, commencing December 1, it has put itself into the less than a dollar per capita class for annual fire losses and that, too, during the worst months of the year, the period when incendiarism and bomb throwing were at its height. The reason is that Portland business



J. A. JAMIESON  
Goodyear Tire & Rubber Co., Portland, Ore.  
Chairman, Fire Insurance Committee

men have an authoritative fire marshal or commissioner to tie to and they know that whatever effort they exert for fire control will be effective if carried on in cooperation with him. In other words, they have in him a definite governmental authority whose single purpose is to destroy the fire fiend.

From the literature angle, two things were attempted this year

by the committee; first, a special insurance issue of the Bulletin, published December, 1917, second, the use of the back of the envelope carrying the First of the Month Letter to presidents and secretaries, and to 8,000 members, to ask members what they are doing to give themselves the necessary insurance protection, and also what they are doing to impress upon customers the necessity of doing likewise.

The insurance issue of the Bulletin was well received, in fact, several thousand copies more were printed than are printed of the regular monthly issue. It was generously contributed to by leaders in insurance thought and is a veritable hand-book on the subject of insurance.

The result of the experiment was thoroughly satisfactory and it would be well for the next committee to consider the repetition of the use of this highly educational method.

Finally, your committee offers the following for your consideration:

#### I

*Resolved*, that the National Association of Credit Men, in convention assembled, expresses deep satisfaction in that it has been able to take an effective part in the movement to conserve our resources against fire and protect against that shrinkage of credits which a great conflagration at this time would entail.

#### II

*Resolved*, that the work of the Fire Insurance and Protection Committee should not be permitted by existing world conditions to take a secondary position in the activities of the Association, but that all members be made to realize that it is the part of patriotism to exert their earnest efforts in keeping our resources intact and safe from the visitation of fire.

Respectfully submitted,

J. A. JAMIESON, Chairman, Portland, Ore.  
H. J. EFFINGER, Portland, Ore.  
F. J. BRENNAN, Portland, Ore.

#### VICE-CHAIRMEN

FRED C. GUSTETTER, Hartford, Conn.  
WILLIAM MAXWELL, Albany, N. Y.  
J. M. FUNKHouser, Lynchburg, Va.  
W. I. BLOCH, Selma, Ala.  
S. E. DEELEY, Waco, Texas.  
W. R. CLARKE, Great Falls, Mont.  
EDWARD A. MEYER, Green Bay, Wis.  
H. L. KING, Wheeling, W. Va.  
L. H. STUBBS, Cedar Rapids, Iowa.

Mr. Jamieson then read a letter from State Fire Marshal Harvey Wells of Oregon.

Resolutions offered in report were then read and adopted. Thereupon the report as a whole was adopted.

PRESIDENT WHITLOCK—The next is the report of the Committee on Credit Education and Management, David E. Golieb, of New York, chairman. (Applause.)

MR. GOLIEB—I listened very attentively to the masterful papers read and my own thought was that the report of the Committee on Credit Education could best be read into the very reports so admirably presented to you this morning. They pointed out so well the desirability of credit education.

I was especially interested in the discussion as to the prime duty of the credit man in the treatment of a weakened account, that is, whether he should consider first the interests of his house or the interests of the customer. Are these two distinct duties? Is not the credit man who accords a customer considerate, sound treatment serving at the same time the purposes of his house? Such action may conserve losses and what is more important, cultivate accounts. It is a commonly accepted principle that it is the function of the credit man not only to keep losses at a minimum but to be a productive force. To do so, to be a business builder, it is equally as essential that he command the confidence of the customers as it is that he have confidence in them. He must be square and show the honest customer the utmost consideration.

I am a firm believer in the several methods proposed by the different committees for the education of the debtor, but this point also occurred to me, that often in practice, in actual experience, we find ourselves confronted with this situation, that the adjustment or remedy is not confined to ourselves and the debtor. To get effective results the cooperation of creditors is required and frequently it is lacking to the detriment of all concerned. It is enlightened cooperation that your Committee on Credit Education stands here to urge.

Mr. Golieb then read the report of the committee, as follows:

### **Report of Committee on Credit Education and Management**

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

Your Committee on Credit Education and Management begs to report a year of marked progress in the development of credit education. In the interests of brevity your committee will not detail the educational activities of the local associations. It must be said, however, that an increased number of our member associations have shown a deep interest in educational work and in most instances excellent results have been achieved. We record our hearty appreciation of the splendid efforts of these associations and of local committees and of their cooperation with the national committee.

The need for standardizing and strengthening the Association's educational work was strongly emphasized at the Kansas City convention last year. Your committee realizing that the time has

come to work out a sound practical course of credit education adaptable to the aims and resources of the National Association and of the constituent associations has devoted much time and study to this task.

Your committee recognizing the need of the advice of experienced business educators and pursuant to the resolution adopted at Kansas City last year, with the assistance of the Secretary-Treasurer, invited Dr. J. T. Holdsworth, Dean of the School of Economics, University of Pittsburgh, chairman; Dr. C. W. Gerstenberg, Director of the Department of Finance, New York University, School of Commerce, Accounts and Finance, and Dr. W. E. Lord, Dean of the School of Business Administration, Boston University, to serve as an advisory committee. At a conference held in the National office this committee outlined a plan for the establishment of an educational department of the National Association to be styled the *National Institute of Credit*. Under this plan each local association may organize a local unit of the institute composed of credit men, assistants in credit departments and others interested in the study of credit. Each unit is to have separate autonomy, *i. e.*, the local units will elect their own officers and committees, who will operate under the supervision and direction of the National body. A small membership fee will be charged, a portion of which will be paid to the treasury of the National Association to compensate for its organ, the Bulletin, for syllabi and other printed matter, and for services rendered by the central office of the Association.

The plan of the institute provides for a uniform course of credit and related business studies covering a period of three or four years, which may be adopted and pursued in schools of commerce of universities and colleges of recognized standing. Upon the satisfactory completion of the prescribed course the student member of the institute will be awarded a certificate from the National Institute of Credit.

It is also planned to reach those to whom such schools are not accessible. The scope will be so extended as speedily as correspondence courses of a grade consistent with the standards of the institute can be prepared.

The board of directors of the National Association of Credit Men, at the annual meeting held in September, 1917, heartily approved these suggestions of the Educational Advisory Committee. Because of the magnitude of the project, however, involving much preliminary work and the selection of a director of credit education who could devote all his time and effort to the elaboration of the study courses, the preparation of materials, the organization of local units, etc., no further plans of operation could be effected.

The educational advisory committee met recently in the National office with the chairmen and one vice-chairman of your committee, and the Secretary-Treasurer, and by unanimous action recommended to your committee that it present to the Chicago convention the following suggestions:

1. That there be organized a National Institute of Credit, the full plans of which shall be developed by the incoming Committee on Credit Education and Management and the Educational Advisory Committee with the consent and approval of the officers and directors of the National Association.
2. That the following standard course of studies be adopted



DAVID E. GOLIEB  
Einstein, Wolff & Co., New York, N. Y.  
Chairman, Committee on Credit Education and Management

for the National Institute of Credit, that this course be open to schools of commerce, of colleges and universities of recognized standing, and that student members of the National Institute who successfully complete the course be awarded a certificate especially designed by the National Institute of Credit:

Principles of Business (one session per week) . . . . .	Half School Year
Merchandising (one session per week) . . . . .	Half School Year
Accounting (one session per week) . . . . .	One School Year
Credits and Collections (one session per week) . . . . .	One School Year
Economics (one session per week) . . . . .	One School Year
Money and Banking (one session per week) . . . . .	Half School Year
Business Barometrics (one session per week) . . . . .	Half School Year
Law of Contracts (one session per week) . . . . .	Half School Year
Business English and Correspondence (one session per week) . . . . .	One School Year
Corporation Finance and Investment Credit (one session per week) . . . . .	One School Year
Law of Negotiable Instruments (one session per week) . . . . .	Half School Year
Bankruptcy Law (one session per week) . . . . .	Half School Year
Foreign Trade and Credits (one session per week) . . . . .	Half School Year
Credit Research (one session per week) . . . . .	Half School Year

3. That the position of director of credit education be created as an assistant to the Secretary-Treasurer, the director to be charged with the duty of developing the details of this plan both as to organization and the educational program. Though the expense in launching this new service may at first increase the annual budget, it is believed that within a few years this department will become self-sustaining.

Your committee is confident that this credit institute plan will commend itself to the convention as a thoroughly practical and comprehensive course. May we urge the timeliness of putting this plan into immediate operation and the importance of installing a peculiarly well-qualified director. The need for the education of our young men and young women in sound business principles and methods is only intensified by the war. The enormous destruction which is impoverishing the world means that when peace comes there will be tremendous efforts by all the nations to recoup. During the period of reconstruction we shall have vast problems to solve, problems involving the status of labor and the readjustment of property rights; there will be tremendous competition for all the markets of the world; economic resources of all kinds will be developed. Woe to society if these problems are left to men of cramped ideas, limited mental equipment and narrow vision. The credit man must not be found wanting when demand is made upon him to do his share in seeing that the control of capital is committed to the hands of the competent, the wise and the just. Undoubtedly the credit man will respond in full measure and to make our service most efficient we cannot begin any too soon to promote most earnestly this broad program of educational training—as a potent force, for sounder better business.

Your committee begs to submit the following resolution:

*Resolved*, that the National Association of Credit Men, in convention assembled, adopts the program above outlined and

empowers the Secretary-Treasurer to employ as an assistant a director of education.

Respectfully submitted,

DAVID E. GOLIEB, Chairman, New York City, N. Y.

VICE-CHAIRMEN

C. D. MIXTER, Worcester, Mass.  
B. G. CHAPIN, New York City, N. Y.  
GEORGE J. CLAUTICE, Baltimore, Md.  
A. J. GAEHR, Cleveland, Ohio.  
R. L. STONE, Milwaukee, Wis.  
J. F. BRUEN, St. Louis, Mo.  
T. J. BARTLETTE, New Orleans, La.  
E. G. LINBERG, Seattle, Wash.

MR. GOLIEB—May I add in supporting the committee resolution, that while these courses have been carefully prepared and finally approved, it is not intended to offer the plan as an inflexible, permanent one. Of course, it is subject to change and revision to meet conditions as they arise.

I want also to draw your attention to the fact that many of our colleges and universities are to-day giving practically all of these courses. They are doing splendid work—turning out well-trained assistants, well-qualified credit managers and capable executives. But the significant fact is that, in teaching the students to become more competent in business, the thought is ever being inculcated that success is not to the "slick" but to the sound. This is the kind of work adapted to the credit field, that the National Institute of Credit is to foster and extend.

Considerable has been said here in connection with the problems of reconstruction, and I will make no further comment on that question, but there is another phase of this subject that I shall touch on briefly: Our boys are fighting heroically to make the world safe for democracy. Is it not opportune at this time to consider how to make our democracy more efficient? Who will deny that there is much room for improvement in *our* arm of the service? I earnestly believe that this credit education will not only assist the credit student to become better informed and better equipped, but it will also tend to promote a truer cooperation, a greater rise to our duty as team-workers. If this be all true and the facilities are afforded us by the institutions of learning, is it not really a privilege for us, as an association, to get behind with all the driving-power we can command and push forward this program of education?

I submit it is more than a privilege—it is a plain duty.  
(Applause.)

Resolution and report are adopted.

PRESIDENT WHITLOCK—We are now to hear from one of the leading financiers of this city, a man well qualified to speak on his subject, being intimately connected with the foreign exchange

department of the First National Bank of Chicago. His subject is "America's Opportunities," J. J. Arnold, of the First National Bank of Chicago. (Applause.)

### "America's Opportunities"

Address of JOHN J. ARNOLD, Vice-President First National Bank of Chicago.

*Mr. Chairman, Ladies and Gentlemen;*

Immediately upon the outbreak of the great world war I was invited by one of our local associations here in Chicago to speak on the subject of "Benefits Which Will Come to America as a Result of the European War." While I accepted the invitation, I did so with the understanding that I would be permitted to speak on the subject of "Injuries and Benefits," rather than upon the latter alone. This, because of the fact that I was then engaged in the study of the question of probable losses and it seemed to me also that it was entirely out of place that we who at that time were enjoying the blessings of peace should consider even for a moment benefits which would come to us as a result of the suffering on the part of others.

When the subject which you find on your program to-day was suggested to me I found myself in a similar frame of mind. I am rather inclined to the belief that the thought was that I should speak somewhat on the advantages, or the opportunities, which were bound to come to us as a result of this great world conflagration.

I intend to address myself to the subject from an angle somewhat different from that which I believe you anticipate. I am thinking of history, particularly as it was made during the nineteenth century, where we find very rapid development in all directions the world over. The end of the eighteenth century and the beginning of the nineteenth found individualism enthroned, where the individual acted as an independent unit trying to accomplish something for himself. This movement—if it can so be designated—was supplanted by that of corporate action.

During the period when individualism was dominant, the relations between the employer and the employee were most intimate because of the fact that the employer required the assistance of but few employees. This closer relationship existed not only in the shop or factory, but in social life as well.

When the movement swung into the direction of corporate action there developed that monstrosity which was known as a being without a soul. The managers of a corporation were interested primarily in the making of profits and competition was looked upon as the life of trade. The natural outgrowth of this tendency was a movement toward the extreme, which resulted in the organization of trusts where monopoly was the goal.

The employee soon discovered that as an individual he had practically no voice or power in dealing with the corporate organization. The personal touch between the management in the office

and the employee in the factory or shop was entirely lacking, as a result of which the organization of unions became inevitable. That was in the nineteenth century.

We are now in the midst of a new movement and I believe it is safe to prophesy that the watchword for the twentieth century is to be "Cooperation."

The efforts of your own organization in this direction bear testimony to this fact. I am confident from what I know of your history that you will agree with me when I say that cooperation is the life of trade, and without it your organization would prove a failure.

I am calling your attention to this development because I believe that what applies to individuals is applicable to nations as well. The history of the world thus far has been nationalistic—where each nation has tried to build for itself a place in the sun—where international rivalry and competition has been looked upon as the life of international trade. It is my firm conviction that just as we have come to recognize the principle of cooperation in business, we are coming to the understanding that in international relations we must achieve cooperation or this war will have been fought in vain.

America's opportunities at this time lie in the direction of leadership along this broader conception of national and international life. When this war is over the United States of America will, in all likelihood, have the greatest, and, I believe, the most efficient merchant marine in the world. (Applause.) Are we going to follow the traditions of the shipping combinations and shipping pools of the past which have controlled, and ruled, and regulated to the advantage of one and to the disadvantage of other nations? I believe that to the United States of America has come the opportunity to demonstrate to nations everywhere—both weak and strong—that we can and will serve all on the same basis, ourselves included. If the United States of America points the way in a practical manner in demonstrating that we can have a great merchant marine which is to be placed at the service of all with the policy of like charges for like services, I believe we will do much toward the establishment of real industrial democracy the world over.

The influence which the United States of America is exerting in the world to-day is unique in the history of nations. The ideals expressed by President Wilson in his messages and addresses are entirely new in international relations, and are permeating the human race as far as civilization extends. The greater outstanding fact which history will have to record probably will not be that our nation entered the great world war, but the purpose for and the manner in which we participated.

While America will prove the deciding factor in the defeat of the Central Powers, our most important work will be in the making of peace. The presence of the United States of America at the peace conference will, no doubt, mean a peace on a basis entirely different from what it would have been with Uncle Sam absent.

The history of the European powers has been more or less imperialistic, and a European peace, no matter which side victorious, would probably at best have been subject to suspicion of having been imperialistic. The influence of our country will probably be dominant on this question and will be opposed to such tendency. Peace, according to our President, is to be based upon "mercy, justice and good-will," a truly American formula.

While we are to-day serving the Entente Allies by aiding them in the financing of the war, we will, when the war is over, be called upon to serve as the world's banker. In this fact we will find our greatest temptation to become imperialistic. To yield will prove disastrous for world democracy. If, on the other hand, we will have the courage to serve the world with our resources without departing from our traditions, we will again teach a new way and will contribute a new force for the maintenance of world peace. President Wilson has always stood "four square" on this question, and we may rest assured that his influence will be thrown in the proper direction. I believe the financial interests of our country will support him in his efforts. Certainly the rank and file of the American people will do so.

That nation which controls the balance of power in international finance holds in the hollow of her hands quite largely the destiny of the world. If America consecrates the United States dollar to "humanity and service," we will purify the life-blood which flows through the arteries of world-trade and international life will be healthier and much less subject to many of the ills of the past. This will truly help to "make the world safe for democracy."

I could go on and speak to you about our opportunities for trading with South America, Russia, China and Japan, etc., and about the competition with which we are likely to meet. There is one element which, in my judgment, is bound to control. If our trade with the outside world is to be of a permanent and an enduring character the same will have to be built up on the basis of merit and service. (Applause.)

To my mind, the United States of America, the land of my adoption, gives us the finest illustration of what world-trade ought to be. When one state prospers, every state in the Union rejoices. We are not envious of each other, but delight in hearing of the success of our neighbors because we realize that the prosperity of any one state, directly and indirectly, affects the Union as a whole. America is happy over Canada's growth, and surely all of us would be pleased if the republic to the south of us were similarly situated.

In its beginning this was a commercial war. Providence has intervened and has overruled the selfishness of men. To-day we are fighting for a principle that is sacred to civilization. If we permit the world to fall back into the rut of competition and rivalry in commerce, we are going to continue the old struggle—only with greater intensity. America must lay the foundation for a better structure to be reared upon the principle of Service and Cooperation. (Applause.)

PRESIDENT WHITLOCK—Conference subject: "The Future; Its Probable Problems and What Credit Men May Do to Meet

Them," led by T. J. Bartlette of New Orleans and C. T. Hughes of San Francisco. Mr. Hughes is not present. Mr. Bartlette will kindly take the platform. (Applause.)

## CONFERENCE SUBJECT

**"The Future; Its Probable Problems and What Credit Men May Do to Meet Them"**

By T. J. BARTLETT of New Orleans

*Mr. Chairman, Brother Credit Men:*

There have been many references to the future in the talks of to-day. In fact, nearly all the talk to-day has related to the future. I am a present-day man, was taught to live in the living present and, consequently, if I do not mention all the problems that might come up out of the future, attribute the defect to the bigness of the subject and not to the smallness of my mind.

Four years ago a religious fanatic, in defense of rights he thought in jeopardy, committed a crime, the consequence of which no one living even dreamed. Had a prophet then arisen and prophesied the far-reaching consequences of this crime not one tithe of his prophesies would have been accepted as true and yet that mad act was the excuse, though not the true cause, for the terrific world war which his disrupted the foundations of the civilized world and brought about a conflict without parallel in history. With the breaking up of former ties, the tearing away of the foundations on which society was organized, there have arisen new rules of warfare and new problems in every department of life. Church and state alike have awakened from their dream of peace and all now recognize that the old traditions, the old customs have given way and new ideas have come to the front demanding a recognition as part of the faith and policy of each. What the final result will be no man can say, but we know there must be a new division of courses, a fresh arrangement of ideas, a better and more lasting organization. The brains of the world, the heart of the world have been stirred as never before and from the turmoil must come a peace made lasting because founded upon eternal right.

In all times of stress, trial and tribulations the thoughts of man turn to the hereafter and his relations with the higher powers, and so it is now that the petty jealousies, the minor problems of life are lost sight of in the church and in every creed there is a demand for recognition of the eternal truth regardless of petty forms; for a clearer definition of the relation of God to man and of man to his neighbor.

In the state the old customs seem to have been relegated to the scrap-heap. International law must be rewritten, the most crystallized tyranny of the world has broken down, democracy has taken its place and in this, the most democratic of all countries, autocratic power has been placed in the hands of one man and this because problems came up that could be met in only one way, that being as the sound common-sense of the American people might indicate. We have confided our property, our lives, all we hold most

dear, to the keeping of that one man, our guide in this our hour of trouble, our leader in the victory that must be ours.

In the midst of the fiercest battles, the most critical moments the common-sense of banker and merchant compels him to take into consideration the problems that must come up after the war and each is laying plans which are to be followed when peace is declared. Even our government, alive to the changed conditions, has forgotten that the Sherman Anti-Trust Law is on the books and deliberately takes over the entire transportation system of the country and this because necessity compels the course. All is done for the common good. Out of this movement immense problems will arise after the war. What disposition will be made of the roads and will the government return them to the owners or will it continue to operate them? And since shipping and insurance go together will our government become a gigantic insurance company and will our antiquated shipping laws be revised and fitted for modern needs?

What disposition will be made of the numerous factories which the government has commandeered? Shall the dream of the Socialist come true when the government will be all in all and what effect will this have upon the character of our people? Will initiative be crushed, will the wonderful achievements of the individual be smothered, will all be reduced to the level of mediocrity, or will the American spirit rise to the occasion and resume its former march of progress?

The banker is now making plans for reaching out into foreign countries in competition with his European brother who has hitherto possessed the monopoly of foreign trade. Will dollar exchange take the place of the shilling and will financial London give precedence to New York?

The merchant, too, has seen the wonderful strides made by his European competitors in foreign lands which ought, by right of nearness, be a part of our territory. Can he accomplish his ends alone or must he, too, defy the Sherman Law and form a combination with his fellow merchant in order to gain that strength which only numbers can give? Can he combine with the bank, again in defiance of the law, and by giving and receiving support accomplish the ends which power alone can reach?

Hand in hand, they are putting mind and heart, their very souls into the huge task of tooling the weapons and forging the chains that will beat down that Beast and keep him forever chained.

The tariff has been a fetich with our people, but even now with foreign trade reduced and made hazardous the political seer sees the necessity not only of revising our tariff laws, but of basing the entire system on a sounder foundation.

The conflict of labor and capital, born with civilization, seems to be nearing its end. The man of muscle and the man of money are drawn closer together in the spirit of self-sacrifice; and new relations, fresh problems will arise for them out of war conditions. In all these mighty problems, the credit man must have his part, because he is the counsellor and adviser of both banker and capitalist and as a citizen his influence must be felt in church and state.

It behooves him, therefore, in order to give the greatest assist-

ance in his power to his firm, to study foreign relations, foreign needs, so that he will be ready when the time comes to enter the field intelligently and be of value to his house.

There are two subjects which the credit man, while not side-stepping his duty, will approach with much hesitancy, and these are the immense problems which will arise from prohibition and



J. D. MEEK  
Indianapolis Electric Supply Co., Indianapolis, Ind.  
Director

female suffrage. We feel that both are in sight and yet we hesitate to tackle the problems which both will bring to us.

The great problem of the credit man of America is the elimination of waste, the great American crime that shows itself prominently in two distinct forms, fire and insolvency, for in both there is an absolute loss. A loss which cannot be easily restored.

Working hand in hand with the National Association of Fire Underwriters, we have made some advance in arousing the people

to the necessity of fire prevention, especially in these days when it is so necessary that everything possible should be conserved. We have taught them to recognize the great truth that insurance is no remedy, that the loss, whether insured or not, falls equally upon the community, although distributed widely. We have much to do in this direction, because our loss is still enormous and not until we can bring it within normal limits can we claim to have done our duty.

But what of the other drain,—insolvency? Are we doing our part in preventing a loss which, like that caused by fire, is absolute? We pride ourselves upon the establishment and organization of a great prosecution department for taking care of the fraudulent. We have done splendid work in this direction, work which is recognized nationally, but it would be a saner and safer policy to guard against the dangers that all can see. We save ourselves, we save our customers, we save the community at large the loss and waste caused by failure if we stand up to our responsibilities and do not shirk our duties—unpleasant though they be. We have the instruments in our hands and if we do not use them, on us will fall the blame.

If we heed the teachings of experience, if we establish sane, safe laws for our guidance and obey those laws implicitly, we shall be doing our duty. We are physicians. We must diagnose each case presented. We must use the avenues of information afforded by our interchange bureau and be very certain of the fact that the experience of our fellow credit man is going to be our experience, that the man who does not pay our neighbor is not going to pay us. We are preaching and teaching the free interchange of credit information. We have with great labor and great experience established an interchange bureau and there is no excuse for our failure to use it.

We are teachers as well as physicians. We must educate our people, show them their weaknesses and point out how they can improve their methods and thereby prevent that loss which comes, as shown by statistics, from incompetency. We must also protect ourselves against the same incompetency by a thorough, far-reaching investigation into the habits, morals and methods of intending customers. This we can do through our interchange bureau, which gives us every facility needed to post ourselves thoroughly in regard to vital points in credit granting and if we do not do this we are lax in our duty to ourselves and our firm.

I said we are physicians. We are, and let us recognize the fact that nearly all failures are due to incompetency of the debtor, that it is our business to recognize that incompetency, to avoid the unsuccessful, as we would the diseased, and compel the man who is unfitted for business circles to seek other channels for his efforts.

If a man has once failed he should not again be allowed a chance to despoil the credit community, because if he has once failed he has done so through his own fault or his own crime and in neither case should he be allowed another chance. If he has once proven guilty of fraud there can be no excuse for the credit man again giving him credit, for we ought to educate the credit man to the truth that once a crook always a crook and the fraudu-

lent debtor, whether punished through the courts or not, should be punished by us in being deprived of further credit.

Our great problem will be as teachers to prevent, as ministers of justice to punish, though as friends of humanity we may be willing to assist the derelicts who have fallen by the wayside and who need the strong arm to help them out of the troubles into which they have fallen. We must adopt the English view that failure marks a man as unfit for commercial life and whether the failure has affected us or our neighbor we must use the same rule and weed out the unfit if we hope to place our commercial world on the high plane that American brains and American energy and efficiency demand. (Applause.)

**SECRETARY TREGOE**—We have but one speaker to our conference subject. Yesterday, when we had adjourned, I was met by a delegation of wholesale hat men, headed by our old friend, Charles Biggs, who has a great deal to do with the hat business. They filed a petition that a paper read at their conference by A. P. Wettstein, a very remarkable paper on the subject, "Return of Merchandise," be read before the entire convention.

With your permission, Mr. Chairman, inasmuch as we have but one speaker to this subject, may we hear Mr. Wettstein's paper and put him on the witness stand with Major Bartlette. Then we will have two birds to shoot at. (Applause.)

Mr. Wettstein read as follows:

### "The Return of Merchandise"

Address by A. P. WETTSTEIN

*Mr. President and Gentlemen:*

While gathered in convention at Kansas City a year ago we discussed, you will remember, the unjust return of merchandise and laid plans for the correction of this evil. After a year of activities, it is interesting to consider this subject again, measure the success which our efforts have attained and make new plans for the further suppression of this vicious practice. I am, therefore, glad to bring this matter to you again and I trust that something of value may come to us from a renewed discussion.

All of us here, I think, fully appreciate the loss and the annoyance incident to the return of goods which have been purchased or manufactured and shipped to our customer on his own order. We know something of the labor which has been expended in buying or making these goods, in selecting them, in rechecking them, in packing them and then shipping them and we know that when these goods come back to us, generally in broken boxes, that they must be reboxed at considerable expense and that when they reach us at the end of the season we must frequently sell them as job lots at a considerable sacrifice.

We know, in addition to these facts, that the railroads have been burdened to the utmost in caring for the war activities of the country and that every dollar of merchandise which is shipped and reshipped to no purpose, places additional strain upon these already overtaxed industries, which is hurtful to the country and

unfair to the government, which is doing its best to carry us through this national crisis with success.

You will recall that in discussing this matter last year, a large measure of responsibility for the origin and the growth of this practice was laid at the door of our traveling men and we were reluctantly compelled to admit that we, too, were somewhat to blame for condoning the activities of our men in this direction. We must admit that only too frequently our traveling men have encouraged the return of merchandise, not because it was faulty or because it had not been bought, but because the customer found the goods did not sell or because he was temporarily overstocked; and without questioning for a moment whether these goods had been bought by a merchant and whether or not it was good business practice, he ordered the return of them regardless of the fact that he was violating good business law which always brought reactions and was encouraging a practice which ultimately might grow to serious proportions.

Because of this ready suggestion to return goods which they had bought, there remained in the minds of our trade the impression that it was perfectly valid to return merchandise of any kind or description, no matter how long it had been in their store and our customer naturally concluded that a manufacturer's or jobber's business was so organized as to enable him to dispose of this merchandise readily.

This impression has grown until to-day there seems to be in our customers' minds no sense of obligation toward a purchase. They do not seem to feel that an order represents a contract, that if he orders goods from a house he must respect that purchase and is obligated to accept merchandise which he orders, provided it is shipped him in harmony with his selection.

Do you appreciate the vast discrepancy there is in the return of goods from your respective territories? The report of one large house indicates that the returns from one territory aggregated 1½ per cent., while the returns from another territory was something like 19 per cent. The same class of merchandise was shipped from these two territories, yet a great discrepancy in the return of goods is apparent. What is the explanation? Nothing, I say, but the education which the traveling man had given his customer.

Admitting this, our first step toward the correction of our difficulty must be through the source which is responsible for its growth, namely, our traveling men. We must urge upon him constantly that he impress upon his customer that an obligation attaches to a purchase and that when goods have been shipped as ordered, they cannot be returned.

We went into the discussion of this matter carefully last year and it will not be necessary to go into details again, but I would like to urge that we do not abate in the discussion with our traveling men for a large measure of our educational work in correcting our customer's impression regarding purchases must be made through our representatives.

Recognizing that this is largely a campaign of education, we

have, during the past year, requested the cooperation of the various trade journals and through the kindness of the "American Hatter" of New York, the "Dry Goods Man and Southwestern Merchant" of St. Louis, "Twin City Commercial Bulletin" of Minneapolis, "The Chicago Apparel Gazette" of Chicago, "The Progressive Merchant" of Dallas and the "Clothiers' Bulletin" of Des Moines have presented this matter to thousands of merchants in the country.

We have sought to point out in these articles the waste which this growing evil imposes upon business, the cost which it throws, not alone upon the wholesaler, but upon the retailer, and we have cause to believe that these articles have been read and that they have sown the first seeds in the minds of many merchants of the injustice they have practiced in returning goods unjustly. We hope all this will bear fruit in better business practice. In some instances our articles have been editorially supported and we are confident that results will follow our labors in this direction.

Then we have inaugurated somewhat more drastic measures in connection with those who return merchandise regularly. We all have some customers who find it utterly impossible to retain an entire shipment of goods and who must ship back some portion of every bill they receive. We have now perfected machinery which will report these customers as undesirable to the commercial world and we are confident that the work which the interchange credit bureau is now doing in reporting the names of these undesirable accounts will be of increasing value.

May we say in this connection that in passing upon the financial responsibility of a merchant, you take note whether he is in the habit of returning goods without cause. Should your reports disclose, as they now frequently do, that he is among these undesirable customers and you find in addition to his bad debts that his financial standing is impaired, and you do not feel warranted in extending the line of credit he asks, mention in your letter that in addition to his lack of capital you find that he is in the habit of returning merchandise unjustly, that he seems to feel no obligation toward a purchase or toward his wholesaler, and that in view of all the facts disclosed you would prefer not to do business with him. If in this way you can make this merchant feel that it is a serious offense which he is practicing, we may deter him and perhaps with an improvement in his finances we may develop a successful account for some one.

Our educational campaigns can and must be aided by individual effort. Upon every one of you men here assembled depends the successful outcome of the labor we have so far expended in launching this work. Let every one of us here determine right now not to fail in a single instance to communicate with every one of our customers who suggests that he is returning merchandise. It is direct educational work and will prove more effective than anything else we can do and we must pursue it with an unfailing purpose. Tell your customer that you are sorry to note the return of the merchandise he is sending. Tell him that you have sought to fill his order in exact accord with his selection and ask him kindly to inform you where you have failed. Add that the return of these

goods constitutes a waste upon business of serious concern to him as well as to yourself and to our government and that you wish to avoid a repetition of the trouble which resulted in the return of these goods.

Go into detail with your customer and point out just where the loss arises. Tell him that these goods must be reboxed if the boxes come back broken, as they generally do. Tell him that these goods generally reach us when the lot is sold out and must be disposed of at fifty cents on the dollar. Suggest in detail the labor incident to the selection and the shipment of these goods; bring to his mind also that the government has taken over the railroads because of lack of transportation facilities to carry us successfully through our great national crisis. Show him that the railroads are struggling with a terrific burden and that it is unjust and unfair to put this needless burden upon them which they must perform if a shipment of goods is returned which they had asked us to send to them.

We believe that if we bring these points to their attention with kindness yet with force and solicit their cooperation in the great campaign for better business that we will implant in their minds a consciousness of the wrong they are doing and the proper respect they owe an order placed by them.

This is direct educational work, the importance of which I should like to impress upon you with all the emphasis in my power. This, as I view it, must be our principal activity in reducing this evil habit. It rests with us alone whether this evil will grow or whether it will subside as the years go on and I would like to urge upon all those assembled here not to let one instance pass without at least endeavoring to implant in the customer's mind what the placing of an order means.

You need not be apprehensive that you lose his confidence, for he will recognize the truth of what you say and truth never need be feared. The writer has carried this practice into effect for the past year and is glad to be able to say that not once has he forfeited an account and he is confident that a great deal of good has resulted, for the justice of our position cannot be questioned.

This educational work must be persisted in systematically from year to year, for it involves changes of fundamental ideas and before these can be accomplished a great deal of time and energy will have to be spent. Let us not say that nothing can be done, that this evil has existed for many years and that our efforts to reduce them, therefore, are hopeless or that other trade organizations have been at work with little result. This negative attitude has never brought success to any one and if permitted to prevail this evil will continue to grow to proportions which will demand even greater efforts in a few years than we are called upon to employ to-day and demand more drastic action, for it is threatening the very foundations of business and must be stopped.

In addition to the activities which we have pointed out, we have sought the cooperation of the United States government in our work. The Economy Board of the National Council of Defense is recommending to the business world that all waste be

eliminated from trade. They urge that every activity which is costly and useless be abolished and in view of these recommendations we have approached them asking that they launch a campaign with the retail merchant, bringing to his attention the cost and waste incident to the unjust return of merchandise.

You can see what it would mean to us if the national government suggested to the retail merchants of the country that the



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Director

return of merchandise was a heavy burden to an already overtaxed railroad system, suggesting the waste which comes to the country every year because of goods which have been bought and then not accepted and you can see what a great help it would be for us to refer to this recommendation whenever we write a customer regarding the return of goods.

We have communicated at various times with the National

Economy Board but have not received much encouragement until a few days ago, when we were much gratified to receive a letter from Melvin T. Copeland, secretary, stating that the board had had this matter under advisement for some time and asking the writer for some program which might be followed in this campaign.

It is needless to state that we were glad to outline to Mr. Copeland the program which we thought might be helpful and we are hopeful that they may employ it and give us the backing which we so earnestly need.

We have also sought the cooperation of the National Association of Credit Men and were much pleased when they passed, a year ago, resolutions enlisting the aid of our membership toward the reduction of the practice of which we complain. However, this subject, in my judgment, has not been discussed earnestly enough at the general meetings of this association. They have no committee devoted exclusively to this work, and we should like very much to offer the recommendation that a committee be appointed whose exclusive object would be to seek the reduction of the unjust return of merchandise, and we are confident that with a strong body of men from this organization at work, some good would come from this committee.

An association of nearly twenty-five thousand members can accomplish great things, and if the American Association of Wholesale Hatters, working independently, can secure some results, what can a vast body of business men, representing every business industry in the country, accomplish, if they set themselves to do it?

Can you imagine how quickly the attitude of mind of the retail trade toward a purchase could be changed if twenty-five thousand firms would write every customer on their books from whom goods came back unjustly along the lines we have outlined, and if the traveling men of these thousands of concerns would say to their customers: "You must not return goods without a reason," and if these thousands of concerns would systematically work toward implanting correct ideas of business and the observance of a contract into a customer's mind.

We sincerely hope that the National Association of Credit Men will devote themselves to the discussion of this question with the energy which its importance deserves, and while we understand that national matters have largely controlled their activities, yet this matter, too, has a national bearing and should not be slighted. Can we not bring about some action along these lines and the appointment of a committee which should exclusively devote itself to this work?

In the meantime, let us persist in our individual labors. Let us recognize that each of us has a personal responsibility and under no circumstances let us say: "Nothing can be done," for this remark spells defeat before the attempt is made. It is always the cry of an impotent soul who is afraid to tackle a big job.

To recapitulate, let us then:

First—Continue our work with our traveling men. Keep before their minds that we are fighting an uneconomic and unjust practice and urge them to present the injustice of it to our cus-

tomers. Let us keep the subject actively before them; let us show them how their own interests are suffering; let us present the percentage of their returned goods to them from month to month and by keeping this agitation alive they will be a material aid to us in our work.

Second—Let us continue the excellent work of publicity which has been carried on through the journals which find their way to the retail trade. Every article along these lines is of value to us and we would urge persistent publicity.

Third—Let us be conscientious in reporting the chronic returner of merchandise. Whenever you receive goods from one of those who seem to have no regard for you whatever or for the purchases which they make, report the case to the commercial world through the interchange bureau of your association.

Fourth—Let us realize our individual responsibility. It lies with us first of all how many goods will be returned to us next year and we would urge upon you most strongly not to overlook a single opportunity to do corrective work. Remember that while we may plan collectively, we must act individually.

This is your work and this is my work and it is unfair and unjust to ask the other 24,999 members of this organization to do this for us. We must all of us do our part in this great educational campaign which we are waging and it is unfair for any of us to take advantage of the results of the labors of others if we are not doing our part. Let us set ourselves to this task with devotion, with a determination to win and success will crown our efforts.

By carefully pursuing the plans outlined above, I am confident that the unjust return of merchandise will decrease from year to year, that merchants will have a finer perception of business practice, that they will respect their obligations and then we may feel rewarded for the efforts which we have put forth along these lines. (Applause.)

SECRETARY TREGOE—Major, you were talking to us about the future, its problems and how the credit man may meet them. Do you anticipate that when peace comes the credit man will have new problems?

MAJOR BARTLETTE—I think so, yes. I said he would not only have two, but two thousand, though the two big ones are the two I mentioned—first, insolvency, and second, fire.

• SECRETARY TREGOE—We have them now.

MAJOR BARTLETTE—We will always have them.

SECRETARY TREGOE—if peace were to come suddenly in thirty days from the present time, that would bring new problems to the credit man?

MAJOR BARTLETTE—It would bring the new and the old so closely together that he would not know where he stood.

SECRETARY TREGOE—What are the new problems that the credit man would meet if a peace were suddenly to come?

MAJOR BARTLETTE—I think there would be but one problem before the whole world, and that is, the prevention of a panic that would be worse than the war conditions are now.

SECRETARY TREGOE—To prevent that, what must the credit man do now?

MAJOR BARTLETTE—Keep his head on his shoulders and his feet on the ground. (Applause.) By keeping his feet on the ground he is going to live the life he has hitherto lived, he is going to live the principle that has guided him heretofore, he is going to be just as calm, and keep his judgment as clear as has been done here and he is going to do now what the day's work is, leaving the dead past to bury its dead and the future to take care of itself. He is going to do the day's work and do it in the best way he knows how and according to the principles he has been trained in.

SECRETARY TREGOE—You have told us that there are problems facing the credit man, that we could not go through the most unusual conditions in all world history unless there were new problems to arise and yet we cannot forecast what they are going to be. The best that we can do, according to your idea, as I interpret, is to live right to-day and then we shall be safe to-morrow. Right practice to-day is the best kind of insurance against the losses of to-morrow. Is that the idea? (Applause.)

L. KURTZ, Milwaukee—There was one statement made by the speaker that seemed to me rather severe. In case a man failed in business the credit man should never again give him credit. Is not that rather harsh? Sometimes a man fails and through his failure learns and makes a bigger success than ever he would have made if he had not failed.

M. JOANNES, Green Bay—I am surprised that in all these expressions of opinion the banker has been forgotten. Why has the banker not come forward with the responsibility that rests upon him? In past years all the money has gone into the banks. There is a bank on every corner and the money is there to serve. Why does the banker not step into the breach and do part of the work the credit man has been doing with the men at home? Why should a credit man be looking all over the country where his customers are and keeping in touch with them when he has the finest kind of intelligence in the bank located in the customer's city or town. The banker is an intelligent man and he is in position or should be in position to know the merchant's financial condition, whether he is entitled to credit or not. Why should he not grant the credit? He has the money. Let the retailer look to the banker and let the banker furnish the retailer with the money necessary to discount his bills.

A. H. PARKER, Worcester—Major Bartlette seemed to indicate that if a man has been guilty of fraud he should be ever considered a crook. That hardly seems in accord with what was said this morning about helping our fellow man. It is hardly fair doctrine, not quite the Christian attitude for a right-minded credit man.

We should give the man another chance if he deserves it, for I think a man might commit fraud without being a crook at heart and should be given another chance.

MR. LEWIS, Louisville—I wish Major Bartlette would tell us how he would deal with those bankruptcies caused by the New Orleans hurricane of several years ago. It undoubtedly caused a number of retail merchants to go into bankruptcy. I wish he would tell us how he would deal with them or perhaps did deal with them.

MAJOR BARTLETTE—In New Orleans we have an adjustment bureau. The retailer goes into the adjustment bureau, cites his case, the bureau takes hold of it, calls a meeting of creditors and decides how to handle the case. If the retailer has been straight in the past, if he has shown the ability to manage his business, if he has hope in the future, the bureau will put him on his feet again. They do not allow him to go into bankruptcy; he is not a failure, for the hand of God has been laid on him.

MR. LEWIS—There were some bankruptcies at the time of the New Orleans hurricane.

MAJOR BARTLETTE—Very few and such as there were became bankrupt through their own fault and not the fault of creditors because our bureau never allows a man to fail if he comes forward and makes a settlement, a decent settlement from ninety-nine cents down to one cent. The creditors will accept it if it is fair and I think you will find that same rule wherever you go.

I have been asked what I would do with a man who had failed. Look at your statistics and they will show that 80 per cent. of failures are due to incompetency. That, of course, is in a broad sense. The man may gamble, as my friend Mr. Tregoe says, may drink, may squander his money in one way and another, may buy and sell unwisely, but it is his fault that he has failed in nearly 80 per cent. of the cases of failure. What is the use of giving that man another chance? He had his chance and failed at it.

My friend over there was talking about fraud. If you will notice, few men are intentionally crooked. The fraud develops gradually. The man will take a dollar and in order to cover it up take two dollars. A cashier of a bank does not take a customer's money all at once, but little by little and a little more to gamble with and to replace what he has stolen. That is the case with every man who is faithless with the other man's money. There is no use in giving the man another chance.

He did not start to steal intentionally. He took it fully intending to hand it back, but his plans went wrong. The only way with these men is to be stern and strict. When a man has once shown his incapacity, in failure, there is no use trying him again.

E. F. SHEFFY, Lynchburg—I cannot agree with my friend from New Orleans that because a man has failed he shall not have another chance, that because a man has committed a wrong he shall forever have written across his forehead the brand of Cain. I have no apologies in the world for wrongdoing, but I say that

we live in a world where to a greater or less degree we are all failures.

C. W. SPIERS, St. Louis—As chairman of the group conference of hats, caps and gloves, which was held yesterday afternoon, and before which Mr. Wettstein's paper was read before it was presented to this convention, I want to say that it sounded better to me to-day than it did yesterday. Indeed, I think it is the finest paper on returned goods that I have ever heard and I want to take this opportunity of suggesting to you that it be referred to the Committee on Business Literature and that it be published as one of the leaflets of the National Association if it fits into their program so to do.

Action so to refer was taken.

PRESIDENT WHITLOCK—We are especially fortunate in having with us to-day a man of eminent position in educational fields. Many of the great universities have attested the remarkable efficiency of his life-work. He will speak to us on a subject of special import to this great Association under the subject of "Commercial Credit; Its Place and Importance in National Development." I have the honor to present William A. Scott, professor of Political Economy and Director of the School of Commerce of the University of Wisconsin. (Applause.)

### **"Commercial Credit; Its Place and Importance in National Development"**

Address by PROFESSOR WILLIAM A. SCOTT of University of Wisconsin

*Mr. President, Ladies and Gentlemen:*

History reveals three stages in the development of commerce—the stage of barter, the stage of money and the stage of credit. In the barter stage people exchanged goods directly against goods as modern boys swap marbles and jackknives; in the money stage they exchanged their goods for a commodity medium, gold, silver and the like and used that for the purchase of the various things which they needed; in the credit stage goods are bought and sold on time and the final settlement is arranged by an offset of mutual indebtedness of individuals, of communities, of states and of nations through the instrumentality of banks, stocks and produce exchanges and innumerable private accounts.

Each one of these stages in the development of commerce has been accompanied by social and political institutions and each has developed traits of personal character which are connected with these stages in credit and money as cause and effect. If we search for an explanation or a cause of this development through which the human race has passed, we shall find it in the desire—perhaps I ought to say the passion of the human race for improved methods, for efficiency and for the more complete satisfaction of human wants.

Each of these stages was superior to its predecessor in all of

these particulars. During the barter stage it was difficult to engage in commerce at all because it was difficult for a man to find another man who had precisely the thing he wanted and wanted precisely the things he had and when he found such a man it was difficult to trade with him in the precise quantity of commodities desired.

It was because a medium of exchange overcame these difficulties that people recognized its utility and finally made its use universal and introduced a new stage in the history of human intercourse. Credit is just as much superior to money as money is superior to barter. In the first place, it furnished the world with a cheaper and a safer medium of exchange than money, cheaper because it saved the wear and tear of the precious metals and because it can be produced and maintained with much less cost and, further, is safer because it can be sent through the mails and over the sea and can even be exposed to the operations of robbers and thieves without the danger of loss.

But the principal superiority of credit does not consist in this fact, but in the fact that for the first time in history credit made possible the complete utilization of all human and material resources. Credit differs from both money and barter in the fact that one of the transfers that is involved in every complete exchange takes place in the future and that makes it possible for one of the parties to the exchange to be able to earn or produce the means of satisfying the contract and it also makes it possible for the other party to utilize the wealth and capital which otherwise would lie idle.

How much this means to the world it would take me a whole day to set forth. I can only hint at some of the advantages. The primary thing is that credit is the thing that brings ability and the means of utilizing ability for human wants together. Ability along any line is practically worthless to the person who possesses it or to the world until it can be connected up with capital or with natural resources and the combinations that are necessary to utilize ability and talent do not occur naturally and do not take place by chance.

Often, and commonly, in fact, the ability is in the possession of any one person, the capital in that of another and the natural resources in that of another. Credit is the thing that brings these together and makes possible their combination. It is credit that has placed the land of this country in the hands of its present possessors. It is credit which has placed the mineral resources and the water-power of the country in the hands of the people who have been able to utilize it. It is credit which is responsible for the corporate organization of industry, that bit of machinery which has made possible business on anything except an insignificant scale.

It is simply a credit device by which capital collected and saved in various quarters can be brought together and utilized for great purposes. Credit also makes it possible to spread income economically over the period of one's life. There are innumerable illustrations of this point. A young man or a young woman has reason to believe that his or her earning power or producing power can be enormously increased by an education, but the means is lacking. Credit solves the problem. Your income comes to you

weekly, or monthly, or annually, or at other intervals. Credit enables you to live in the meantime. A householder wants to put in his coal for the whole year at one time—can make great saving by so doing, both to himself and to the community—but his income comes to him in monthly instalments and he is unable to make so large an expenditure at one time. Credit solves the problem for him, and so it tends not only to bring talent and capital and natural resources together, but enables people to use economically the resources which they already possess.

While credit has its principal triumphs, directly, at any rate, in the economic field, its influence extends throughout the whole realm of society and even into the sacred precincts of individual character. Credit has given us the most important and the strongest and the most efficient bond that holds modern society together. The older bonds are blood relationship and neighborliness. The earliest form of society was the family, held together by blood relationship. The family finally developed into the clan, the clan into the race, blood relationship constantly the tie. But while this process was going on, the tie of living in proximity to each other developed various ties. When men live near each other, various interests become common. They know each other, learn to sympathize with each other and develop the bond of a common language. In the early days they developed the bond of protection against a common enemy.

These two bonds, however, have this peculiarity, that their strength gets weaker and weaker as you go from the center out. Blood relationship is but stronger in the family than it is in the race, and so it is of the neighborhood tie. It collects people who live closely together, but as you get farther and farther away, while it does not absolutely lose its influence, it becomes weaker and weaker.

Latest comes credit in the development of society, and credit ties people together by a most intricate network of relations which holds them with cords of steel and is all the while present in their consciousness. Note how it holds the business world together. The manufacturer, for instance, and every other business man is both a debtor and a creditor. The manufacturer is a debtor to people who furnish his current labor and his current raw materials, and to people who have helped him furnish the plant and the ground upon which the plant is located, and he is creditor to the wholesaler to whom he sells his goods.

The wholesaler and jobber is a debtor to him, and a creditor to the retailer. The retailer is a debtor to him and a creditor to the consumer, and the consumer includes all classes of people. Farmers also are links in the credit chain. Laborers are both debtors and creditors. The so-called leisure class is also tied by the bonds of debtor and creditor. In fact, it would be much more difficult to find a person in the community who was not bound by the credit chain than one who is bound.

It is no mistake, it is no matter of chance, that the development of credit and the development of civilization have gone hand in hand. One is really the cause of the other, and you could not

have one without the other. Modern civilization would be absolutely impossible without the modern credit system, and if it were conceivable that you could abolish the modern credit system, you would abolish modern society. The two are inseparable by their relation of cause and effect.

There is one aspect of credit which is not quite so pleasant to contemplate, and that is the aspect of the credit crisis. Commercial crises are phenomena of credit. They occur when large numbers of people are unable, for some reason, to meet their credit obligations, and when that happens, the credit structure collapses, like a house of cards, and when the credit structure collapses, large numbers of industrial and commercial concerns are unable to continue their business and all the rest of them continue with great difficulty. Bankruptcy courts at such times work overtime, and there is a general redistribution of the wealth of the community.

These events are properly called crises. They are crises in the affairs of men, and because of the great suffering and loss entailed by them and the frequency of their occurrence they can properly be called the major calamities of modern times.

Now, because of the close connection that exists between credit and crises, many people have jumped to the conclusion that credit is the cause of crises—that if you are going to have a credit system you must have crises, that the two things are part and parcel of the same system. That is the prevailing view of the Socialist. It was the doctrine taught by the fathers of modern scientific system, but I think you will see that that is not the necessary state of things at all, that while it may be and certainly is true that you could not have modern crises without the modern credit system, it is not at all true that you could not have the modern credit system without crises. In fact, it could be demonstrated that commercial crises are the result not of the use, but of the abuse of credit. These events are due chiefly to the defects in the people who enter into credit contracts, and these defects are numerous.

One of the defects is ignorance. The credit machinery of modern times is delicate—extremely so. It is one of the most delicate of modern social machines. It consists of a great many parts, and the parts are dovetailed together and held together by a lace-work of great intricacy. We do not lack for a great deal of skill and intimate knowledge of the operation of the individual parts of our credit system, but there is a great lack of adequate knowledge of the way the system as a whole operates, and that fact of ignorance is frequently the cause of crises. Each person works his little cog without knowledge of the relation that it has to the other cogs, and there can be no surprise under those circumstances that the machine as a whole sometimes breaks down.

We must have in a great machine like this an intimate knowledge of the whole, and we must have thorough and accurate knowledge especially on the part of people who occupy positions of authority and people who are leaders and guides of the credit mechanism as a whole.

Snap judgment is also a serious thing and the cause of crises. Bad judgment, of course, is frequently the result of ignorance, but it may also be the result of indifference, of carelessness and the tendency to take risks. Every credit transaction is a transaction that involves the future, and in the very nature of the case, when the future is involved, there are elements in the situation which cannot be accurately foreseen. Every person, therefore, who enters into credit contracts must make due allowance for that fact, the fact that there are uncertain elements and that there must be a wide margin of safety. Bad judgment is always shown whenever the margin of safety is left out—a practice frequent in modern times.

Another of the defects of human character that we have present which helps to produce commercial crises is the gambling mania. It is a common mania—the love of excitement of taking risks. But a person who makes use of credit machinery for the purpose of gambling knows well when he does it that he may not be able to meet the obligation which he is undertaking. He is taking a chance, and when he takes a chance he makes you take a chance, and the laws of chance to which he appeals are perfectly sure to result in a crop of broken contracts which are frequently the cause of disaster in commercial matters.

Dishonesty, of course, is also one of the causes of crises. Of course, untruthfulness, exaggeration, misrepresentation of every kind take place. When credit contracts are carried on a large scale you are sure to have some of them which are unsound and cannot be carried on. I think you would find that if you could eliminate from society these evils of which I have spoken, these defects of human character and human individuals, you would go far toward eliminating commercial crises, but you would not completely accomplish the result, because there is one other important cause, namely, the defective credit machinery.

Just as you can wreck a train by having a bad roadbed and bad rails and bad rolling stock or an imperfectly constructed engine, so you can wreck the credit system by having an imperfect machine. The machine needs to be perfect, and the men back of it need to be intelligent and honest and understand the machine which they are trying to work.

There are many other phases of credit which I had intended to speak of, but time will not permit. I would like to have said something about the enormous influence of credit in the political affairs of the world, but I have only time to call your attention to the fact that it has been one of the major factors in political life. Commercial law, for example, is the result of the development of the credit system, and commercial law is one of the principal bonds that ties people to their government. Public credit has had an enormous influence also in the development of people to their respective governments. Alexander Hamilton understood this well when he recommended the assumption of the debts incurred by the states in the Revolutionary War by the new Federal government. He knew that if he gave the moneyed classes of the country a stake in the new government he would tie them to it by cords of steel.

Credit has had an enormous influence in international political affairs. Egypt is to-day a part of the British Empire because her people borrowed money from Englishmen; and while the other parts of the English Empire do not owe their existence, that is to say, the fact that they are in the empire, to credit relations primarily, the relations between every part of the British Empire and England herself is determined to a very considerable extent by the credit bond, and enormous influence is being exerted in this and every other country by the enormous debts that are being floated broadcast among the people.

No one can possibly foresee what in this country is going to be the result of having the vast majority of the people owning government bonds. It is going to give the people a new interest in the government and result in new relations between the people and their government. No one can tell, moreover, what is going to be the result in the immediate future, except that it is going to be tremendous, of the international debts that are being piled up, the credits, for instance, that we are extending to foreign countries, the money we are loaning to our Allies, the money that Germany is loaning to her allies.

We can be certain, however, that credit relations are going to figure largely in the affairs of the future, and credits are important factors in making the new world which is before us.

I wish I had time to talk to you about the effect of credit upon individual character, for credit is one of the greatest civilizers in the world. It has developed in particular the virtue of integrity, of promptness, of truthfulness, of fair dealing, and of far-sightedness, and these virtues carry with them many, many others, and the credit relation develops all of these virtues because it is constantly in the minds of people here engaged in credit relations, and they see as a result of experience two things in regard to all these—namely, that the presence of them promotes and favors the interests of all people in credit contracts and that the opposite always creates difficulty. In other words, credit works in a twofold fashion.

But I must cease speaking of this phase of the question, because I want to talk to you for a moment at least in regard to the phase that is most absorbing at the present time, namely, the relation of the great war in which we are engaged to the world's credit system and to future development. Credit, I need not tell you, is one of the principal instrumentalities of modern war. We could not carry on modern warfare without credit. The public form of credit especially is important. Public credit, as you know, is the chief means available for transferring income from the people to their government, which has to use it for war purposes. In the plans of our government for the first year of the war, it was provided that four-fifths of the total amount of the income needed should be transferred by means of credit and only one-fifth by means of taxation, and while undoubtedly taxation is largely increased, in the future it will not be likely to be larger than a third, certainly not more than a half of the total amount.

But commercial credit is also deeply engaged and involved in the present war. It has tremendously important functions to perform, summed up by saying that commercial credit is the means by which the income of the people must be adjusted to the needs of the government. If we suppose that during any particular year of the war, or during the war period taken as a whole, the people save in this country a sufficient amount to finance the government, as they must, if the government is properly financed, it is perfectly certain that those savings will not take place at exactly the time that the government needs the funds. Sometimes they will be deficient and sometimes they will be in excess, and the modern machine could not work at all if we did not have some device by which the excesses of one period could be made to cover the deficits of the other. Here we find the part that is to be played by commercial banks in war. They are, on the one hand, to anticipate the savings of the people in financing the government, and on the other hand to carry the government through periods of deficit in anticipation of future revenues.

You are all familiar with the method with which this result is accomplished. In the first place, the banks have been called upon in a large way and must in the future be called on largely to loan money to our people with which to buy government bonds, must loan them money in anticipation of their savings. We could not have floated any of the Liberty Loans if the banks had not performed this function. The banks are also performing the other function of tiding the government over periods of deficit in anticipation of revenue.

As you know, each of the Liberty Loans has been anticipated by selling to the banks short-time securities, and the Secretary of the Treasury has just announced that during the next few weeks, between now and the first of next October, he is going to ask the banks to buy short-time securities in anticipation of the next Liberty Loan to the extent of 20 per cent. of their total resources.

Now, these are legitimate functions of commercial banks, but—and this is the point to which I wish particularly to call your attention—there are great dangers necessarily involved to the commercial credit system of the country in all of its aspects by its participation in war finance. It is easy to draw the line of safety, but it is easy also for banks to go over the line of safety, and indeed it is difficult to prevent their going over the safety line. The line of safety, of course, clearly is that the banks must confine themselves to anticipating savings. They cannot substitute something for savings. That is a fact, I am sorry to say, that is not generally understood.

Banks may anticipate savings, but they can not offer any substitute for savings. When a bank loans money to an individual for purchase of government bonds, the bank must be assured that the savings of the individual are actually forthcoming during the period of the loan, for otherwise the bank will have to pay the loan out of its reserves, and if it pays the loan out of its reserves, its reserves will speedily become exhausted, and exhausted reserves mean a suspension of specie payments, and that is the greatest

financial calamity which can come to a country in time of war or time of peace.

Another way by which banks perform this function is by purchasing government bonds on their own account, but the resources of banks for this service are limited. To the extent that they exist it is a legitimate thing to do, but they must not go beyond their resources, and their resources, of course, are their savings deposits and uninvested surplus funds. But unfortunately it is difficult for banks to keep within bounds—difficult for several reasons. One is that the general public with whom the banks have to deal do not understand what these limitations are. The view of the average person is that a bank ought to loan constantly and to any extent, and continuously on government bonds as security, because the government bonds are perfectly good. That is a great error. Banks cannot loan on any kind of security beyond their resources, and their resources upon which they must depend in making loans are the savings of the people, which are constantly being collected by them.

Moreover, banks cannot, as some people think, invest to any extent that the public may desire in bonds on their own account for exactly the same reason. But there is another and I think a much more dangerous idea in the community, and that is the idea that banks really can furnish a substitute for savings—that if worst comes to worst, banks, by suspending specie payments, can finance the war. The idea is that if the people do not save enough, then the banks can substitute in this way for what the people failed to do. I have even had bankers say to me: "Yes, we must finance the war as far as possible by means of saving," implying that it is possible to finance the war any other way than by means of saving. That idea is common and we must get rid of it, or we put the country in greatest danger. We must remember that the financing of a war in the last analysis is nothing but the putting of the government in possession of the requisite goods, ammunition, ships, airplanes, food and all the other things that are necessary to fight battles, and in order to do that at the present time we must increase our production of those things a thousand, ten thousand fold. To do that there is only one way, and that is to divert productive energy from other industries, because it is absolutely impossible for us to borrow a dollar from foreign countries, it is absolutely impossible for us to depend upon foreign countries to produce any of these things, because they have nothing to loan and no surplus of any kind.

On the other hand, we must loan to the foreign countries and we must produce for them. Consequently, and this is a new fact in this war, we must produce right here in the United States everything that we have, and cannot add to our total production during the war because we are making enormous drains upon our labor power. We have taken three million men out of the productive field and every year that the war proceeds we must cut down the labor factor in our productive enterprises, for the labor factor is one of the primary factors for the conduct of the war. We must fill the gap to keep our production up.

— What does that mean? It means that we must produce right here and must cut down our expenditures of unnecessary things in order to produce war things. Will some one show me how and in what way the suspension of specie payments or any credit diversion that you can work by means of banks is going to accomplish that? It is absolutely impossible—it cannot be done.

The suspension of specie payments or any other credit device you could possibly hit upon, would not bring a single ship into existence or produce a single additional bushel of wheat, or do any other necessary thing. It would not solve any of the problems of financing this war, and that fact we must learn and learn speedily, that there is only one way by which we can carry on this war, and that is by saving, saving, SAVING!

The people must learn that during every year that this war lasts they must treble their savings and cut down their expenses from 25 to 30 per cent. There is absolutely no other way. Suspension of specie payments gives the appearance of doing things because it raises the price of everything, and temporarily people think they have larger incomes, but all expenses of every kind, including the government's expenses, increase, and as I said a moment ago, suspension does not bring one item of goods into existence, nor divert a single piece of productive energy.

Now I mention these things, because it is the most vital problem before this country at the present moment. I have just mentioned the fact that the government is asking the banks to take 20 per cent. of their total resources and loan that amount to the government in anticipation of the next Liberty Loan. Unless the next Liberty Loan, like the past, can be taken by the people out of savings, these securities cannot be taken off the hands of the banks, and if the banks are obliged to exchange these securities for bonds, then we have taken the first and irretraceable step in the suspension of specie payments. It is right up to us, the people of this country, now to recognize the fact that unless every one of us gets into the game and teaches the average man the absolute necessity of that primary thing in winning the war—cutting down expenditures, and saving—we are perfectly certain in the very near future to have this country in the swelter of suspension of specie payments and an inconvertible currency, and, let me tell you, that if under present conditions we go into that, we surely wreck that credit system of which you are the guardians. That is the reason I am speaking to you upon this subject at the close of my address to-day.

The credit system never needed the watchful care of its guardians so much as it needs that care to-day, and there is only one way in which that work can be accomplished, namely, by every individual turning himself into a schoolmaster and helping to instruct this great body of a hundred million people in the United States in the two cardinal virtues of cutting down expenditures and increasing savings. (Applause from the audience, standing.)

PRESIDENT WHITLOCK—The next is the report of the Committee on Foreign Credits, C. E. Thomas of New York, chairman. (Applause.)

### Report of the Special Committee on Foreign Credits

*To the Officers and Members of the National Association of Credit Men:*

GENTLEMEN:

The regulations which have surrounded all exports since our entry into the war, and which are multiplying all the time, have more or less retarded the extension of our foreign trade and have no doubt led some houses to discontinue altogether their efforts to build up an export business.

We all recognize the reasons which have prompted the government to restrict foreign shipments and we not only submit to them, but readily lend every assistance to make them effective to the fullest extent, but this should not lead one of us to abandon the efforts heretofore made, but, on the other hand, should prompt a more careful study of the whole problem and the laying of plans to take advantage of conditions after the war. In looking forward to that time we can foresee greater possibilities for development of foreign trade than any this country has previously enjoyed. There will be an enormous demand for all sorts of commodities to fill the shelves of dealers which are even now nearly bare of necessary articles of trade.

We believe the situation after the war will offer this country a position in foreign trade superior to anything we have heretofore experienced.

This committee urges that the subject be given careful consideration and study by local associations interested in foreign trade. An indication of interest on the part of the local associations will inspire the National Association of Credit Men to do its part in the cultivation of facilities for securing foreign credit information and in the development of a foreign credit system.

The Foreign Credit Bureau in the National office has suffered through the loss of its manager, Benjamin B. Tregoe, who, in answer to his country's call, enlisted in the Naval Reserve and has been on active service in European waters since last fall. Ever with this handicap, further progress has been made in building up the files referred to in the last report of this committee. Additions have been made to the record of names of members and the countries in which they are particularly interested. Additions have been made to the list of sources of foreign credit information and we believe this list is now complete so far as such sources are available up to this time.

Letters were also addressed by the Foreign Credit Bureau to the local associations with the object of ascertaining to what extent cooperative interchange of foreign credit experience could be brought about between members of this Association. It was requested that the membership of each local association be can-

vassed and a list submitted to the Foreign Credit Bureau of the names of all members who would freely exchange information with other members. The result was disappointing as lists were received from only two associations and these lists were by no means representative.

The value and importance of the exchange of information and experience has been fully recognized as one of the fundamental principles of the domestic credit system and it is surely not difficult to see the greater necessity for such interchange in building up a foreign credit system where the subject is so far away and the sources of ordinary information are so limited.

The New York Credit Men's Association and the Boston Credit Men's Association, in connection with other Boston organizations interested in the subject, have held public meetings which have been largely attended and are looked upon as highly successful from an educational standpoint. We earnestly recommend that this movement be widely extended and that every local association throughout the country hold at least one public meeting during the coming year, at which subjects relating to foreign credits shall be discussed. This committee urges that at this meeting some time be given to the consideration of greater cooperation in exchange of credit information.

The educational work begun in the public meetings should be continued and supplemented by articles written by competent men and published in the Bulletin and we recommend that at least two pages of each issue be devoted to foreign credits.

This subject of credit education is a wonderfully important one, particularly when treating of foreign credits. Secretary Tregoe has informed this committee of the report to be made to you by the Committee on Credit Education and Management, which will recommend the establishment of the National Institute of Credit and will detail the course of study which has been outlined for that Institute. This course comprises foreign credits, and while at this time the committee is not in possession of full information as to the details of that course, it desires to express its appreciation of the incorporation in its recommendation of a course on foreign credits.

We have been gratified that some of our American banks have gone abroad and established branches and provided facilities for financing American foreign trade. It is earnestly hoped that there will be a further development in this direction and that other banks will follow the lead of those who are now pioneers in the foreign field.

We recognize the change which has been brought about by the European war and that buyers who have heretofore demanded long credits have been forced to readjust their affairs to meet war conditions and make their purchases on a cash basis. We believe that these buyers will appreciate the advantages to be gained by buying on a reasonable credit basis and that after the war it will no longer be necessary to grant the excessive credits which previously prevailed in some lines and in some markets.

Furthermore, with the extension of our banks into all foreign markets, greater facilities are afforded buyers, as well as sellers, for securing that financial assistance necessary to the conduct of any enterprise.

Your committee also earnestly urges that no sales be made on open account, but that all which are not paid for in cash against documents be closed by credit instruments. The bank acceptance



C. E. THOMAS

United States Steel Products Co., New York, N. Y.

Chairman, Foreign Credits Committee

and the trade acceptance are both well established in foreign trade and require no introduction; in fact, foreign buyers expect to give an acceptance, or have it given by their bank, and it is only necessary to make that a condition of the sale to have it readily agreed to by the buyer.

Your committee was again honored by being invited to cooperate with the National Foreign Trade Council in organizing and carrying out a group session on foreign credits at the Fifth Foreign

Trade Convention, held at Cincinnati in April last. This group session was better attended than at the previous convention and much interest was shown by all who attended.

The Annual Foreign Trade Convention is an important event and all members of this Association interested in foreign trade are urged to attend it regularly. Many valuable papers are presented at the regular sessions and at the group conference on foreign credits and every member of this Association would profit by attending all the meetings.

Your committee desires to express its appreciation of the work done by the Foreign Trade Council and the courtesies received from its secretary, O. K. Davis, and dedicates the National Association of Credit Men to cooperate with the council in the furthering of its efforts in the promotion of foreign trade. We also desire to express our appreciation of the services rendered by the several members of the National Association who were instrumental in bringing about this successful result by cooperating with the committee and addressing the session on the various topics discussed.

It is the opinion of this committee that the United States government can be of greater assistance in building up a foreign credit system and we would urge that the commercial attachés and consuls be utilized and that they be instructed by the State Department to assist exporters of this country and their representatives abroad by supplying information which will help in selecting desirable and safe foreign credit risks.

In conclusion your committee offers the following resolutions:

### I

*Resolved*, that the National Association of Credit Men, in convention assembled, recognizes the need for greater effort along educational lines and approves the work done by local associations in holding public meetings to discuss appropriate subjects, and it further recommends that public meetings, devoted to the discussion of subjects in connection with foreign trade, and particularly foreign credits, be held by every local association, and that the incoming Special Committee on Foreign Credits suggest to the local associations subjects which may be profitably discussed at such meetings.

### II

*Resolved*, that the National Association of Credit Men, in convention assembled, appeal to the governmental departments and all associations interested in building up our foreign trade, to take advantage of the present to prepare to grasp the opportunities which will be offered at the termination of the war, so that when the opportune moment arrives this nation may attain the high place it merits in international commerce.

### III

*Resolved*, that this convention recognizes that one of the primary and important elements in establishing a foreign credit system

is interchange of experience. Exporters are urged, therefore, to adopt this principle and interchange with one another in a form and manner that will guarantee accuracy and protection from abuses.

IV

*Resolved*, that this convention recognizes the value of the work done by the Foreign Credit Bureau in the National office and requests the officers and directors to maintain that bureau at the highest measure of efficiency possible under the existing conditions.

V

*Resolved*, that the National Association of Credit Men, in convention assembled, urges the government of the United States to enact such laws as will require its consular and attaché service to furnish credit information and facilities and expresses belief that herein lies a medium of service that has been neglected but is important and should be made available to all American business men.

Respectfully submitted,  
C. E. THOMAS, Chairman, New York, N. Y.

VICE-CHAIRMEN

WILLIAM KOESTER, Jersey City, N. J.  
CALVIN M. SMYTH, Philadelphia, Pa.  
F. K. DOLBEER, Toledo, Ohio.  
C. H. STRAWBRIDGE, Chicago, Ill.  
T. J. KAVANAUGH, St. Louis, Mo.  
T. J. FERGUSON, New Orleans, La.  
JOHN CLAUSEN, San Francisco, Cal.  
WALTER F. WYMAN, Boston, Mass.

Secretary Tregoe then presented the resolutions attached to the report, which were adopted by unanimous vote. The report as a whole was then adopted.

Adjournment.

**Fourth Day, Friday, June 21, 1918**

**Morning Session**

The convention was called to order at 9:30 o'clock by President Whitlock. Invocation was pronounced by the Rev. Melbourne P. Boynton of the Woodlawn Baptist Church, Chicago.

**PRESIDENT WHITLOCK**—We will now have the report of the Special Committee on Credit Interchange Bureaus, D. L. Sawyer of Milwaukee, chairman. (Applause.)

## Report of Special Committee on Credit Interchange Bureaus

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

Your Committee on Credit Interchange Bureaus has completed a prosperous year. Not only have new bureaus been organized and added to our bureau list during the year, but the membership in the organized local bureaus has largely increased, which shows conclusively the increased interest in this branch of work. It is but the truth that the credit interchange bureaus, operated by local associations of credit men, have been aiming for higher standards, realizing that in this way they can best attract the attention and support of a larger proportion of our members. Beyond dispute, the credit interchange bureau is built on sound principles and offers possibilities of service and protection that will win eventually the support of all commercial credit grantors.

The pressure on credit departments has increased the inconvenience and difficulty of the direct interchange though we do not, as a committee or individually, depreciate the value and the need of perpetuating the direct interchange, and the bureau, when properly organized and efficiently operated, can, by a minimum of inconvenience to credit departments, assemble ledger experiences, tabulate and distribute them to subscribers without in the slightest violating the principles which are advocated firmly by the National Association of Credit Men for credit interchange.

The principle of reciprocity, one of the cardinal principles of credit and ledger information interchange, is preserved by the bureau. Accuracy is expected of contributing subscribers, fairness is the keynote of the service and to your committee, with the appreciation of the complete way in which these principles can be defended and service given at a minimum cost, there appears every inducement for the extension of credit interchange bureaus until their facilities and services are made attractive to all members of the Association.

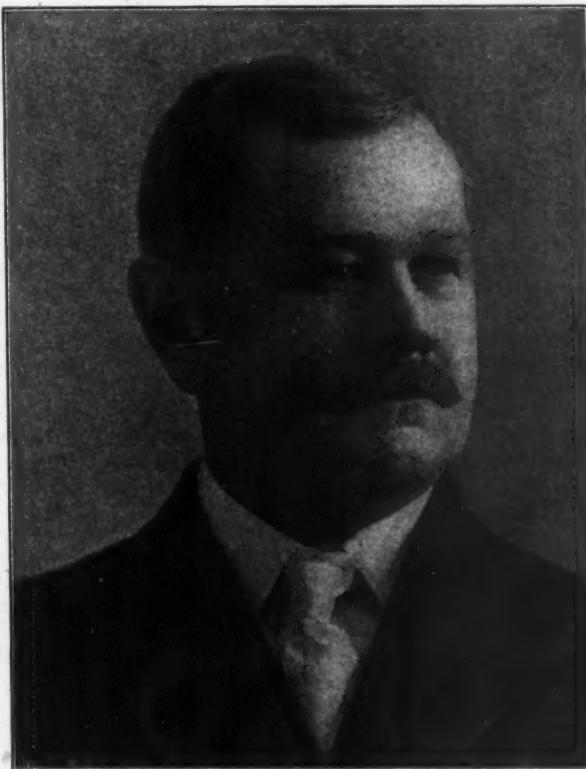
We would urge upon members who do not subscribe to credit interchange bureaus that they study the system carefully, appraise its facilities, and if convinced that we are claiming nothing but that which the facts justify, then that they give support to this department and demand the organization of bureaus where they are not operating now, but where conditions are such as warrant their organization.

The number of subscribers to the Central Interchange Bureau has increased during the year. It has furnished a central clearance that, generally speaking, is most satisfactory, and we are now reaching a period when this bureau should be placed on an adequate financial basis and its services extended. Your committee earnestly begs that the recommendations of its supervisory committee to be presented to this convention will be accepted and approved.

During the year credit interchange bureaus were organized at Macon and Detroit, the latter, of course, an important point for

this service. There are indications that other local associations of credit men are considering the installation of such a department, which tendency your committee hopes will be brought to a favorable conclusion.

An association of credit men was organized at Ottumwa, Iowa, which will operate a credit interchange bureau. The credit interchange bureau at Fond du Lac was discontinued because of the



D. L. SAWYER

F. Mayer Boot & Shoe Co., Milwaukee, Wis.  
Chairman, Committee on Credit Interchange Bureaus

small number of subscribers. This brings to the front prominently an impression which has become deeply fixed in the minds of your committee that it were advisable for several associations to operate a joint bureau when they are located near enough one another for a quick and thorough interchange, rather than that each should attempt to organize and operate a bureau of its own. There is nothing at all antagonistic, in fact, it is only following natural

tendencies for several associations to combine for the operation of a joint credit interchange bureau, and, with the larger income this implies there is possible a more efficient management and a more thorough service.

The general rules adopted by the officers and directors of the National Association of Credit Men at their annual meeting in Atlantic City last September, conforming to the amendment of the constitution and by-laws of the National Association of Credit Men at the Kansas City convention, were reasonable and wise in the opinion of your committee, and all credit interchange bureaus now operating in the departments of local associations of credit men should be brought into conformity with these rules, and their names listed in the revised calendar of credit interchange bureaus. These rules will be altered from time to time in conformity with new necessities and new features occurring in this department of our work.

Your committee believes the time has now arrived to put into execution the idea received so enthusiastically at the Kansas City convention and made possible through an amendment to the constitution and by-laws of the National Association, that a field representative should be put into the field who will devote his entire time to the organization of credit interchange bureaus as there may be opportunity to establish them, to the improvement of weaknesses in existing bureaus, to the building up of bureaus that are not operating efficiently, which representative will be attached to the staff and be under the direction and control of the secretary of the National Association. The financing of this department should be undertaken immediately, so that the services of this field representative may be brought into play and made available at the very threshold of the new year.

Now, presenting to this convention in this brief but comprehensive way the observations and results of the year of the credit interchange department, and assuring the convention that it has been one of persistent activity, of encouragement to the bureaus in operation, of consideration of new ones to be established, and thanking those who gave the committee such cordial and substantial aid, the following resolutions are respectfully submitted:

## I

*Resolved*, that the National Association of Credit Men, in convention assembled, reaffirms its belief in the facilities offered by well-conducted credit interchange bureaus for the interchange of ledger and credit information between credit departments and earnestly appeals to local associations operating such bureaus to maintain them at high standards of efficiency under honest and capable management, and to conform with the general rules adopted by the board of directors for the organization and control of credit interchange bureaus.

## II

*Resolved*, that the principle of central interchange conducted under an adequate and properly financed system is hereby endorsed

and that promotion of such a clearance be entrusted to the officers and directors of the National Association of Credit Men as a special obligation.

### III

*Resolved*, that the National Association of Credit Men, in convention assembled, earnestly recommends to all local associations not operating credit interchange bureaus that they consider seriously the installing of such a department for the service of and protection of their members, and wherever the local association is not large enough to justify the organization of a credit interchange bureau alone, that efforts be made to group together several associations favorably situated geographically to form one bureau with headquarters at the most convenient point.

### IV

*Resolved*, that the National Association of Credit Men, in convention assembled, recording its belief that the promotion of this department should be conducted in a thoroughly adequate manner, urges upon the organization as a whole, upon the local associations operating credit interchange bureaus and the officers and directors of the National Association of Credit Men that a qualified representative be installed in the field who will devote his sole time to the building up of credit interchange bureaus, that he be attached as an assistant to the staff of and be under the direction and control of the secretary of the National Association.

Respectfully submitted,

D. L. SAWYER, Chairman, Milwaukee, Wis.

#### VICE-CHAIRMEN

E. C. FIELD, Utica, N. Y.  
I. L. MORNINGSTAR, Baltimore, Md.  
J. L. MORRISON, Chattanooga, Tenn.  
M. E. GARRISON, Wichita, Kans.  
E. PILSBURY, New Orleans, La.  
R. D. WILSON, Omaha, Neb.  
W. F. COURTNEY, Denver, Colo.  
C. E. BAEN, San Francisco, Cal.

Resolutions attached to the report were adopted without dissent.

The report of the Supervisory Committee on Central Interchange Bureau, by Major Bartlette of New Orleans. (Applause.)

### Report of Supervisory Committee on Central Interchange Bureau

Your Supervisory Committee begs to report that it has held three meetings during the past year (two in connection with the bureau managers, who met in convention at St. Louis, and one in April last).

Your Committee has carefully gone over the workings of the Bureau and finds that it has been fairly prosperous but shows the need of vigorous attention both in the office and in the field. The routine of the office has been carefully kept up and no fault can be found with that part of the work, but there is need of general supervision and also a more perfect organization for the purpose of handling the general affairs.

After much study and consultation with the National office, your Committee has drawn up a form of Charter and By-Laws which will, we believe, cover all essential points and enable the work to be done with very satisfactory results.

In this Charter, provision is made for the control and supervision, by the National Association, of the Central Bureau, for harmonizing the work and bringing the systems of the contributing offices into accord.

Provision is made also for a field man, who is to be the assistant secretary of the Board of Directors of the National Interchange Bureau, Inc. While acting in that capacity he will report directly to the National secretary and will be in constant touch with the National office. It is with the idea of engaging the services of a competent field representative that much thought has been given to financing the Interchange Bureau Service. We believe that with a chartered organization, composed of men who are thoroughly acquainted with the requirements of the Interchange Bureau, and with a strong representation of the National Association, the best results can be obtained.

With this view in mind, your Committee offers the following:

*Resolved*, That recognizing, not only the benefits to be derived from a general interchange of credit information, but its necessity to the modern credit men, the National Association of Credit Men in convention assembled reiterates its adherence to the interchange idea, pledges its continued support to the Central Interchange Bureau and to the formation and financing of the National Interchange Bureau, Inc., as suggested by the Supervisory Committee; and further,

That the incoming Board of Directors of the National Association take proper steps for preparing the proposed Charter and provide the necessary funds for putting it into active operation.

Respectfully submitted,

D. L. SAWYER,  
LAWRENCE WHITTY,  
GEO. C. W. KLIPPEL,  
C. C. ROBERTSON,  
T. J. BARTLETTE,  
L. B. McCUSAULAND, Chairman.

J. E. STILZ, Indianapolis—I would like to ask Major Bartlette if the adoption of this report and an affirmative vote upon the resolution would bind bureaus or associations voting in its favor

to identify themselves with the Central Bureau and contribute to its support and operation, or whether it is the purpose to have the National office finance a Central Bureau.

MAJOR BARTLETTE—The idea is to maintain the present bureau as constituted, but under the direct control and supervision of the National office. This is to be handled by a field man whose sole duty is to travel over the country, with a view to inducing the various associations which are not now operating interchange bureaus to put them into operation, to show them how to do it and help existing bureaus to improve their methods, how to correct errors that may have crept into their work and generally to harmonize the bureau system throughout the country into one strong system.

There is no bureau that is perfect, none but is learning, and by the mistakes we make we learn still more. It will be the duty of this field man to show where methods can be improved. In time, of course, we hope to have other bureaus established, but just now the thought is to build up and strengthen the bureaus we have, and then when they are fully equipped, organized and self-sustaining, to establish others as we need them.

MR. STILZ—Speaking for the Indianapolis Bureau, it is not our purpose to oppose in principle the establishment of a Central Interchange Bureau. However, it is our judgment that such a bureau cannot be successfully operated until a vast improvement is brought about in the operation of the individual bureaus composing the system. No organization can be any stronger or any better than its component parts.

While I do not say this in praise of our Indianapolis bureau or in criticism of the operation of any other bureau, I do know from our own experience that in endeavoring in at least a measure to interchange information with other bureaus our experience has been extremely unsatisfactory. This may be due to a variety of causes, the principal, I believe, being the fact that there are so few local bureaus that comprise within their membership a sufficient representation from the various lines of trade and industry to give a broad enough basis of information.

I take it that no reciprocal bureau can be successfully operated unless it is based upon the theory that each man gets as much as every other gives. In my judgment, therefore, the greatest work for this organization or central committee to do is to protect and build up the various interchange bureaus about the country and see that each bureau perfects its own method of operation, increases its number of subscribers, and hence fills up and overflows channels of information. Then you have something to bring into a central bureau, but until that condition is arrived at, a central bureau, in my judgment, cannot attain large success.

Our bureau is not willing to become a part of a central bureau until the individual bureaus operating therein, their method of conduct, information which they are able to furnish, is put upon a higher plane. (Applause.)

D. L. SAWYER, Milwaukee—It seems to me Mr. Stilz is laboring under a misunderstanding to some extent. He says he feels that his bureau should not co-operate with a central bureau until all other local bureaus are perfected. We must start somewhere. If we go back to the time when the bureaus were started, we find they were started with but a few members and had to develop themselves in order to demonstrate what they could do, but as the work was demonstrated, others saw the benefit and took out membership.

You cannot organize anything of this character and have it 100 per cent. perfect immediately. You must start and grow. These local bureaus have started in a small way and have grown to large proportions, for at present we have nearly 30 per cent. of the entire membership of the National Association in the interchange bureaus. If we do not try to organize a central bureau until we have every local organization running a bureau, we can never get anywhere. If the previous speaker would cooperate with the others who are trying to establish and maintain a central interchange we would progress much more rapidly. (Applause.)

A. W. HARTIG, Evansville—The bureau at Evansville was organized about three years ago. Whenever any other bureau writes to us for information, it gets it, no matter what bureau it is, but we have written other bureaus for information and they did not seem to care to furnish us information, because they felt we had taken their accounts from them.

That feeling ought not to exist, each bureau doing its utmost to cooperate with the other, even though it does not always get replies from other bureaus in the same generous spirit. Let us do the best we can, help each other in every way we can. That is the only way we will get the proper central bureau.

F. R. HAMBURGER, Detroit—In Detroit we began the operation of an interchange bureau last November. We now have a hundred and twenty-five bureau members. We are members of the Central Interchange and are receiving from it excellent service. I believe, however, that its weakness consists in the fact that it has in its membership but about 50 per cent. of all the operating bureaus. The membership of the Central Interchange is about thirty-three local bureaus, and we have in all fifty local bureaus. All the interchange bureaus ought to be members of the Central Interchange in order to receive the maximum of benefit and service, and we can recommend membership in the Central Bureau as being highly effective in reducing the office work in our local department.

Send your inquiry on a non-resident subject to the Central Interchange and that name is cleared for you by way of the other bureaus with a saving of a whole lot of work.

I am on my feet, Mr. President, to bring to the chairman of the Interchange Bureau this point: The greatest difficulty, as it seems to me, in the success of local bureaus is the cost of operation. We find it utterly impossible to operate a bureau successfully financially upon a fee of \$50 per annum. We furnish a hundred reports for \$50, and charge fifty cents in excess of all that number

and it is impossible for us to maintain our organization upon a self-supporting basis. The first year of operation perhaps will cost our association \$2,000, and they have agreed to make up the shortage.

I have been wondering whether or not it would not be a wise plan for the incoming interchange bureau committee to take up the question of charges. Fifty dollars per annum for a hundred reports is not sufficient to maintain a bureau when you consider the increased cost of postage and clerical help. The work cannot be done at this figure, and the danger lies in the fact that the non-participating members of an organization may object to using the funds of an organization to make up the deficiencies occasioned by bureau operation, and that question, Mr. Sawyer, I think ought to be considered. (Applause.)

MR. STILZ—I wish to answer Mr. Sawyer's suggestion in order that the Indianapolis bureau may not be left in a false light in this convention. There is absolutely no disposition on the part of our bureau not to cooperate with other bureaus. On the contrary, we have long ago endeavored to establish the interchange between our bureau and other bureaus. Something over a year ago we offered to interchange information with any other bureau on a reciprocal, free basis, and we did so for a period of time, with the result that inquiries flowed into our bureau office so rapidly that it was practically impossible to take care of them without doing so to the detriment of our members who were contributing to the support of our bureau.

About that time there was a scale of charges suggested by a bureau—if I am not mistaken, by the Northwestern Credit Bureau of St. Paul—by which reports would be furnished with a certain charge for information and comments up to a certain number, and a sliding scale, and our bureau decided to adopt that as a better measure than free interchange, which we did.

We started in answering inquiries for other bureaus on that basis, and you would be surprised if I told you of the difficulty we have in collecting the charges from those bureaus which we furnish reports. That is not criticism; it is merely a statement of fact.

We are ready at any time to interchange information with other bureaus, and, furthermore, we have sent inquiries to other bureaus, and after a lapse of one or two or three weeks get back our inquiry bearing rubber stamp, "No one selling him." We found by making direct inquiry of dealers in that market that there were people who were selling, but either had not filed their accounts with the bureau or they were not members, and we have been able to get the information direct which we could not get through the bureau in that part.

Time for discussion of the report was declared reached, and the report as a whole was then adopted.

PRESIDENT WHITLOCK—We are next to receive an address from one who was formerly styled the deacon of the National

Association of Credit Men. It is a distinct pleasure to have this opportunity to present to you Lee M. Hutchins of Grand Rapids, who will speak on "Humanities of Credit." (Applause from audience, standing.)

### "Humanities of Credit"

Address by LEE M. HUTCHINS, Grand Rapids, Mich.

I am not ashamed of the title deacon, because any man who could be a chaplain or a deacon to a bunch of credit men is playing in luck. If I had my way about this program, I would have interjected what I have to say this morning in a few minutes into the procedure of yesterday, when Major Bartlette and Mr. Sheffey were talking theology. They were wise in what they said, but I thought they both needed help. (Laughter.)

I do not know why the secretary of this organization should have given me the topic, "Humanities of Credit," unless he had discovered some time in the past that I had a human side to my being. I am not ashamed of the topic, and in fact I am rather in love with it this morning, just for a few minutes, because I well know that at this particular hour and age, man and his welfare is the most interesting question of the hour.

Yesterday a man was referred to as a many-sided man. I call a perfect man a four-square man. He must be square mentally, morally, physically, financially, and especially he must be four-squared to be a good human credit man. In business the greatest element that can enter is character. If the world ever goes bankrupt, it will not go bankrupt on account of lack of material possessions, but it will go bankrupt on account of a lack of four-square men!

Everything in the world in its operation is directed either for or against men. The great economies of God, both of the old dispensation and the new, were in the interests entirely of human beings, and it was a teaching all the way through that a man could depend upon his brother man. The human side was the side that was emphasized, and the teaching of the old, although circumscribed and held in leash, had a capstone of brotherhood put upon it when the Master came to the world and taught brotherhood, humanity, love and that dependence that one man could put in another.

Nothing was said particularly of possessions in life, nothing was said of royal families, but every man was taught that he was a human being in the image of God and that each man was a brother to his fellow-man.

Credit brings in many questions. Some one will say, "What is credit?" Ordinarily credit presents a process by which the future is discounted, and if I had the liberty this morning (for I only have a few moments) of interpolating here I would stop and try to give you what I believe is the proper education for a credit man. Or, in other words, if you are to send your boy to a commerce course, or your daughter, that they may be instructed in such manner as to be able to check credits, one of the courses that they should take up should be human nature.

Where we as credit men fail largely is that we do not understand our fellow men. We sit in with men, we get well acquainted with them in business and in social life, many times to find out that the fellow who is our next-door neighbor, or the man with whom we have been doing business for years is a good fellow when we once know him, and then there are other sides of human nature that men should study. They should study the phrenology and physiognomy of men—should study facial expression; should study carriage and walk; should study men as to their attitude toward other men; should study human nature, because when a credit man sits in his office and a man who seeks credit is talking with him, he should be able to measure him, measure him in many a way.

Is it not a common experience that many a man has come into your office, came in just like a hitching post and sat in your chair, and until you had gotten him to speak, to smile, to say something, you had no proper impression of him? Maybe his smile that would not come off has been the deciding factor in your granting him credit? Maybe his theme of conversation, maybe his attitude in citizenship, in family life, in national life, has been a deciding factor when you have drawn from him the real elements of his human nature.

I believe in credit men studying psychology. I believe that a man should understand the workings of the mind—logic, if you please—that when a thing has been presented along certain lines, if the mind is normal, it must bring certain conclusions, and a man should study psychology if he is to be a credit man, to be a human credit man, that he may direct his mind along a course of thought that will reach a definite conclusion when he brings it in contact with the man with whom he is doing business or seeks to do business.

In the extension of credit, many things come uppermost to the credit man. First is character, but I need not stop here; second, capital; third, experience; fourth, capacity; and fifth, location. I cannot linger upon these, though I would love to do it with you fellows this morning in order that we might have a real first-hand debate.

Without character, however, none of these things count. If you take these headings that I have given you and take two or three more of them and put them in couplets or triplets or quadruplets, if you please, and then you leave out the word character, you have sunk the whole batch, and when you undertake to make a combination of two or three of them and keep character in, then I am willing to talk to the man in my credit office. (Applause.)

To-day there is a tendency to shorten credit lines, and this is desirable. Certain old-time lines of credit granting invite disaster. Now, none for me of ninety days, 6 per cent. off 10 days. That is an invitation to disaster in any credit line. I belong to a line of business that formerly gave sixty days, 2 per cent. off, cash 10. Arbitrarily, and with common consent, it is now thirty, 1 per cent. off 10, and the time is short when it will be thirty, net.

It is a lack of moral courage in business. Men know that ninety

days, 6 per cent. off 10, is not business in the way in which business should be done nowadays. Man cannot stretch too far the wide mercy of heaven. The amount of credit extended depends somewhat upon the lines of merchandise sold and the possible turnover by the retailer. This turnover matter is a matter of discussion by thousands, whether large or small, and the human element is the great consideration.

When you go home to-morrow or next day, you just take off your books all the men that are not well rated, and write me a letter how many you take off, and you will have little business in the future. Believe me, you can not do it and you dare not do it! You dare not take off your books the men that are not well rated. Scientific credit granting? Yes, there is such a thing! Is it used in the majority of cases of credit granting? No, it is not! And I challenge contradiction. It is not used in the majority of cases of credit granting. Why? Because the human element must be first considered in a well-conducted credit office.

How many of us had sufficient capital when we engaged in business originally? What did we put up as a guarantee of our future success? Nothing but personal human element, if you please. And God save the man in the credit office or let me discharge him quickly who cannot comprehend this one thing! (Applause.)

What did I offer as a guarantee? What did you? What I had to offer was the request that the man trust me for a suit of clothes so that I could appear decent on the street! That was the extent of guarantee I put up. That was what I asked, and the good old man said, "Yes, and pay me back when you can." But I had behind me a generation of people who were honest, who were built like the rock-ribbed ships that traverse the great oceans of the world. They set sail from a definite port and they landed at the harbor for which they were ticketed in the commercial world. (Applause.)

Manufacturers, jobbers, bankers, I agree with you that credit should approach more nearly to a cash basis. Capital is a necessity, understand me, somewhere, in all operations. During the operation, however, humanities must be considered. First, character, a comprehensive term, and it is not necessary, nor have I the time to stop and talk to an eminent body of credit men about character. A man must be honorable in his business dealings; a man must have the proper reverence for his mother, his father, his wife, his children, his home, and bring me a man in my office that has not the proper conception of those things and he cannot have credit from me. (Applause.)

One of the pitiable things in credit in this country is the chap who thinks he is fooling me, his family, his wife and children all the time, and yet is not fooling anybody any of the time. A man must be a desirable citizen in the community in which he lives. I had rather have it said of men that I am the first citizen of my community than to own the leading bank of my city. I know a man in our city who has carried that title for years, and he is the only man in our fair city whom I envy. They all say that he measures up and measures down, and is fitted for the first citizen of our community.

A man must be true to the obligations of his state—a thoroughly human man. He must know that he lives under the police protection, that it is his duty to use his intelligence in voting for public franchises, he must know what is just and honorable for the good of his state and must be worthy of the ballot he casts in the decision of its fate. He must be a citizen of the state. To-day and always he must be a patriot, and must become that patriot with a loyalty that makes him a fit American for America. (Applause from audience, standing.)

**PRESIDENT WHITLOCK**—We now have a conference subject: "Depreciation as a Business-Cost; to What Extent to Be Reckoned with?" led by Alexander Wall of Detroit. Mr. Matzgar, who was also to speak, is not here.

CONFERENCE SUBJECT

**"Depreciation as a Business Cost; to What Extent to Be Reckoned With?"**

By ALEXANDER WALL of Detroit

The question whether or not depreciation is a cost of doing business, whether it is accepted as a cost of doing business or not, has already been pretty well settled. We all know that in the matter of receivables, accounts receivable or bills receivable, there is certain to be a normal loss against which every well-conducted firm carries on the liability side of its statement a reserve for losses which is nothing more or less than a depreciation item against the asset side, where the account or bill receivable appears as an asset.

That much has been acknowledged. When it comes to the matter of merchandise depreciation, this is a matter not so well acknowledged. Before coming here I talked the question over with an accountant and asked him what he thought was the proper way to handle depreciation of merchandise so as to arrive at a fair valuation. He said that from an accountant's standpoint he knew of no accepted method of arranging for an average depreciation or reserve account to take care of merchandise, but that the proper way was for the merchant to take account of his merchandise at the end or toward the end of his selling season, ascertain what changes in style might take place. If, for example, he was a milliner and the dear ladies were to change their styles, he must consider at what sacrifice he must unload on the public and must figure his depreciation due to moving the stock at what price he could.

I then asked the accountant about depreciation of plant, concerning which there is more question. I am afraid that many manufacturing companies have the habit of taking care of depreciation of plant only during good years. It seems to be their habit, as nearly as I can find out, to arrange for depreciation of machinery, fixtures and the more or less invested assets at a time when the profits are large and to declare dividends and highest depreciation at a time when the profits are just about enough to pay dividends.

Now if you consider the condition of a piece of machinery, take, for example, a hammer in a forge shop that is pounding out ton after ton of steel, every blow of the hammer wearing the surface wears the gearing and tends to prepare the machine for the final scrap heap, you recognize that this wearing-out process has absolutely nothing to do with the profit made on the operation. The machine may be run economically, the management may be conducted scientifically, and there may be a profit at the end of the year, but at the end of the year, whether there has been a profit or not, it is an unavoidable fact that the machinery is worn with every blow of the hammer, and the concern that fails to take cognizance of that fact is closing its eyes to an absolute cost, because when the machinery is worn it will have to be replaced by other machinery, for which new, sound money must be paid.

There is another kind of depreciation in connection with machinery, namely, obsolescence, and the method of handling this kind of depreciation is wide open to argument. For example, this same steam hammer, which we figure is going to run for ten years before it is worn out, we may find at the end of six or seven years has become obsolete, a new kind of hammer having been invented which will produce a greater number of units in the same time, or the same number of units at a less cost. This means that use of the new machine will increase the profit of the company, and the concern figures that it cannot afford to continue the use of the old hammer, that in so doing it loses every day against the production of which the new machine is capable.

If the old hammer has been in use for seven years on a dollar basis of depreciating 10 per cent. a year for wear, we have depreciated it 70 per cent. and still carry a value of 30 per cent. If it is then to be charged off or sold, you may sell it for another 10 per cent. as junk, and you still have a loss of 20 per cent. The question now arises, what are you going to do about the 20 per cent.? Are you going to charge it off in the year in which you make the change as an actual loss against the operation of that one year?

And this is the matter that I want to bring to you for possible consideration. Suppose the hammer cost \$10,000. You have depreciated it \$7,000, and you have sold it for \$1,000 as junk. You have a \$2,000 loss and you are going to buy a new hammer that costs \$10,000 new money. When you buy the hammer it is actually going to cost you \$12,000; it is going to cost you what you pay for the new hammer and the actual loss on the old one, and how will you treat this on your books? The new hammer is going to run for ten years, presumably, so far as wear and tear are concerned. Are you going to put the new hammer in as an asset of \$10,000 and start depreciating 10 per cent. a year, or are you going to put the hammer in at \$12,000 and start depreciating 10 per cent. a year on that sum?

The suggestion that I drew from the accountant was that you should put the hammer in at \$12,000 a year, depreciate 10 per cent. on \$10,000, or the cash price, and in addition reduce the \$2,000 loss on the old hammer by perhaps 30 per cent. of the

increased profits supposed to be secured from operating newer efficiency with the new machine, so that at the end of three years you would have made up out of the increased profits a sum sufficient to offset the loss due to depreciation of the old machine that came from obsolescence.

The man that says depreciation has not happened because he has not made profits sufficient to declare his dividend and absorb a normal depreciation is likely to wake up some time suddenly and discover he failed to take proper notice of something. (Applause.)

SECRETARY TREGOE—Mr. Wall, will you tell us, please, how many merchants, in your opinion, fail because they do not know how to calculate costs?

MR. WALL—When I was assigned ten minutes to talk on depreciation, I thought that was plenty—plenty of a task. When you ask me to answer offhand how many merchants fail because they do not understand costs, you are asking something that I could not attempt to answer offhand. There is no question but that a great many merchants fail to figure their costs scientifically.

When a person figures what his product is to be sold for, he ought to know what it is going to cost him to produce. If he is to sell at a profit, he must know what it is going to cost him to produce, and if he is to know accurately what it costs him to produce, he must apply care in determining what those costs are.

The raw material, or the material cost of production, is not so very difficult to determine, because you can weigh the tons or measure the yards, or take the buckets that go into the actual material consumed, and you know what it costs you, and you know your material, of course. You also know fairly well or can determine fairly closely the labor cost, because you can stack it up against the payroll and find out how much you paid for labor in the course of manufacture. The carrying charge is a more difficult matter, the interest charge involved in having a stock of merchandise or money invested in merchandise for a length of time in your plant and the proper loading of the overhead on other various types of product that you make in order to find out what proportion of your president's and secretary's and office boy's salary and rent is chargeable to each particular cost of thing that you manufacture. This is a matter of science, and science means exactness, an exact division. (Applause.)

SECRETARY TREGOE—Mr. Wall, do you believe it is a matter of growing importance that we should now ask merchants, when furnishing financial statements, this question: "Do you keep an accurate cost-accounting system?"

MR. WALL—Speaking for myself, it is one of the questions that I ask, and then I occasionally ask that they explain their system to me. Often I find that what they have is not accurate cost accounting, but a barrel of red tape, pages and pages of figures that they will lay out on their desk and then attempt to find what they think is there because some accountant told them it was. The mere accumulation of statistics, the idle putting down of figures on sheets

of paper, and accumulating totals is of absolutely no use unless those figures and totals are put into proper relationship with each other and this relationship is intelligently applied to business. Commercial men and manufacturers, to a large extent, have no use for a good many ideas developed in cost accounting, principally because these poor men are so befuddled and so befogged with red tape and figures and the thousand and one forms that are put in that they do not know how to use them.

This is due, I think, to the fact that the accountant's fee often runs somewhat in proportion to the length of time that he works, and the more sheets he can put in and the bigger the report is, the more money he gets. I would advise those who may be considering cost accounting to spend a little money to have the accountant come in and explain what he does, if you are going to have a cost accounting system put in, so that after you have it you may cut out the red tape and use it sensibly. (Applause.)

SECRETARY TREGOE—A manufacturer in New England installed an elevator. It had been installed for ten years and was on his books and in his statements at the original cost, plus all of the repairs. Was that scientific?

MR. WALL—No depreciation?

SECRETARY TREGOE—No, he kept it in his statement at the original cost, plus the cost of all repairs in the ten years.

MR. WALL—May I answer that by an illustration? There was a small boy, Johnny, whose favorite recreation was sliding down the cellar door, and after he had slid down often enough that part of his clothing which came in contact with the door was somewhat worn and his mother put on patches. The patches cost money. I ask you, in answer to your question, were the trousers worth the original cost, plus the cost of the patches? (Laughter and applause.)

SECRETARY TREGOE—A merchant buys a bale of dry goods and they happen to go out of style, and he keeps them on his shelves for three years. Should he inventory them at the cost price, or should he depreciate them?

MR. WALL—On the statement forms which my bank uses we have a question which asks this: "How much of the merchandise carried in inventory have you had for one year?" The thought and purpose is to bring to the surface such condition as you refer to, and if any considerable amount of the merchandise has been on hand for more than one year, we ask for an explanation of what it is made up of and what it cost. I think the accepted rule in banking circles is that merchandise should be carried at cost or less than cost if the market value at the time of rendering the statement is less than cost.

If this merchant has had his bale of merchandise for three years and it has gone out of style, the thing to determine is what its present value may be. Now, the value may run all the way from 100 per cent. of cost to nothing. The value of the merchandise is exactly what it is being sold or can be sold for and nothing

else, and if Mr. Tregoe's friend has to sell his bale of cloth for rags to the junk man, that is what it is worth and what it should be carried on the statement at. (Applause.)

SECRETARY TREGOE—Mr. Wall, do we understand from your remarks that depreciation is an absolute cost of doing business?

MR. WALL—It might be better to express it a little differently. Depreciation is certainly an absolute tax on doing business. Business cannot be conducted without the wearing out of the machinery that is being used to conduct the business. I have yet to find a machine that will run year after year and show no wear. Some machines may run for a great many years, but there is a wear which will eventually put that machine in the junk pile, even if it does not become obsolete before that time, and by the amount of that wear, that physical breaking down, there must be a depreciation which should be filed as a tax against the production of that machine. (Applause.)

M. JOANNES, Green Bay—Mr. Wall did not tell us all about that hammer. I am not surprised that the accountants tried to keep the hammer in as a valuable asset. That is why I do not agree with this accountant's statement, although I consider it desirable to have your books gone over by an accountant; but as to taking the values that an accountant puts upon your invoices and properties, you are absolutely doing wrong in accepting them, because they do not meet my ideas of conservative values.

When the hammer had been out of commission because obsolete, having no market value except as scrap, the business ought to have absorbed the loss of the \$2,000 and put in the asset column on that basis. The old hammer should be thrown away, and the value of the new hammer, which had come in on account of new improvements, taken as an asset.

F. R. HAMBURGER, Detroit—I want to ask Mr. Wall this question: In what manner should the item of income taxes and excess profit tax be absorbed? Should it be absorbed in the cost of production?

SECRETARY TREGOE—You are not speaking to the question.

J. W. SPRAGUE, Minneapolis—I would like to ask for information. Four or five years ago, we will say, fixtures cost 100 per cent. The same fixtures have now advanced in replacement value to possibly 140 per cent. Should those fixtures be depreciated or should they be carried at the high value?

Take Warner fixtures. Those are high-class fixtures. They cost a man three years ago \$1,000, and the same fixtures would cost him \$1,500 to-day. And as to value, fixtures depreciate in value probably more than anything else. Should a man carry them at \$1,000 and a depreciation or should he carry them at an advanced cost and a depreciation?

MR. WALL—The man that has already bought the fixtures and paid \$1,000 for them and is having his plant appraised, or is

appraising the plant himself, and looks into the catalogue and finds that if he wanted to buy those fixtures to-day he would pay \$1,400 for them, and then becomes an optimist and says: "We will put it in at \$1,400," is taking \$400 profit or trying to take \$400 profit that he is not entitled to. (Applause.)

L. S. ALLSTRUM, Los Angeles—I want to ask Mr. Wall in regard to depreciation of machinery, whether it is the best plan to depreciate by a certain percentage each year for a certain number of years, or to depreciate more and more as each year goes on.

MR. WALL—The proper policy depends somewhat upon the class of article you are depreciating. If you buy an automobile and run it home from the salesroom, it has depreciated about 30 per cent. by the time you get it home, because if the salesroom bought it back they would buy it as a used car, and the agent certainly would not pay more than he can get one from the factory for; but if you take a manufacturing plant and you have an odd lot of machinery and you attempt to depreciate at anything but a steady rate, you are going to get yourself involved in such tremendous accounting problems that after a little you will throw up your hands and quit.

I think the generally accepted method is to establish the normal wear and tear life of a machine, say five years, ten years, fifteen years, or whatever it may be, and reduce each year by that percentage which would fall within the one year's life of the machine as compared to its normal manufacturing price. I think this is a safe method to apply and if it is applied to normally, the credit man knows where he stands instead of introducing a half-dozen complicated ways of accounting.

MR. SPRAGUE—I am not satisfied with the answer to my question. I did not ask whether the fixtures should be carried as \$1,000 or \$1,400 in the statement; I asked whether the depreciation percentage should be made on a basis of \$1,400 or \$1,000.

MR. WALL—Your fixtures were bought originally at \$1,000, and we will say, for argument's sake, that they were scheduled to last for ten years. You would then start out to depreciate your machinery \$100 a year, so that at the end of ten years you will have a sufficient depreciation account built up to wipe out the asset. If you attempt this year to raise the price to \$1,400 (the valuation of \$1,400) and depreciate the 10 per cent. just the same, at the end of ten years your depreciation account will have taken care of it, but the year that you increase the valuation you are adding \$400 to the asset side of your statement and the difference between that and any depreciation you may set up will be an artificial profit, one not derived from manufacturing. You will be taking a profit on stuff that is going to become junk in a few years and this is not proper business, in my opinion. (Hearty applause.)

PRESIDENT WHITLOCK—We are now to be favored with an address by one of the leading members of the great institution of

which Chicago is so proud—Dean Shaler Matthews on “Helping a Nation to Save.” (Applause.)

### “Helping a Nation to Save”

Address by SHALER MATTHEWS, Dean, Chicago University.

*Mr. President and Members of the Association:*

I want to thank your secretary for showing me how to do some teaching. I have listened to this discussion with an immense amount of professional interest. I do not believe that the Credit Men’s Association has any business to keep so great a teacher as your secretary confined to your operations. (Applause.)

I want to speak in response to your kind invitation upon this general subject of teaching America to save and I speak of it because of my relations with the war savings operations. I have the honor of being the secretary of the Illinois War Savings Committee and in the operation of that committee we have found ourselves face to face with a great educational task as well as a great financial one.

I do not need to recall to you the elements in the situation, how the United States, in establishing the principle of financing the war, established not only the Liberty Loan, but also a special loan of \$2,000,000,000 which was to be floated by the sale of stamps, or rather, of certificates upon which stamps could be placed. We have seen this campaign sweep across the nation, and on the 28th day of June the entire nation will be engaged in the effort of raising by pledges the total quota, that is, at least the remainder of the total quota not as yet subscribed or pledged.

A business that is doing \$125,000,000 a year is a business of at least respectable proportions and the business of a single state in this particular amounts to that sum, whereas the total sales of stamps will amount, we expect, in one year to \$2,000,000,000 before the war closes, a very respectable sum of money.

When we came to face the task of floating this loan, we found ourselves also facing the task of working a sort of miracle in the minds of the American people, that is, making them realize that the act of saving is an imperative patriotic task. We went into this war without any fair conception of thrift or the significance of the sacrifices about which we talked. We expected to have the sacrifices which came from having our sons and our friends go to the front and fight. In a general sort of way we expect that we should have to make our sacrifices at home because we realized that a war can be carried on nowadays only by a nation and not merely by an army.

But I think if you will recall our attitude of mind of a year ago you will realize that we did not appreciate that war has to be fought by materials and not by credit. Credit is simply a means of inducing people to part with the materials that war demands. If it were simply a matter of financing, the problem facing our government would be simple enough. We could either tax or we

could borrow, but the tax which war has set upon us is not a task of money primarily, but a task of raw materials. You cannot fight the war to-day with the munitions you are going to manufacture a year from now. You cannot carry on an army and support a world with provisions that are going to be raised a year from now. In the long search for the means of victory, we come back ultimately to the two great creative elements of our life—raw material and national morale.

Now, saving is the application or at least one phase of the application of a national morale to the furnishing of the materials to carry on the war. Our natural and ordinary production, we will say, of wealth would be something like \$40,000,000,000 year. The economists tell us that out of that \$40,000,000,000 of actual production we turn into capital something like \$4,000,000,000. We have to fight a war that is already costing us in raw materials and labor something like \$20,000,000,000. Before the Senate at the present time there is a proposal of a \$12,000,000,000 additional credit and we have not been able to spend the money that has been raised by taxation alone, simply in large degree because we did not have the materials and the labor for which we could spend the money.

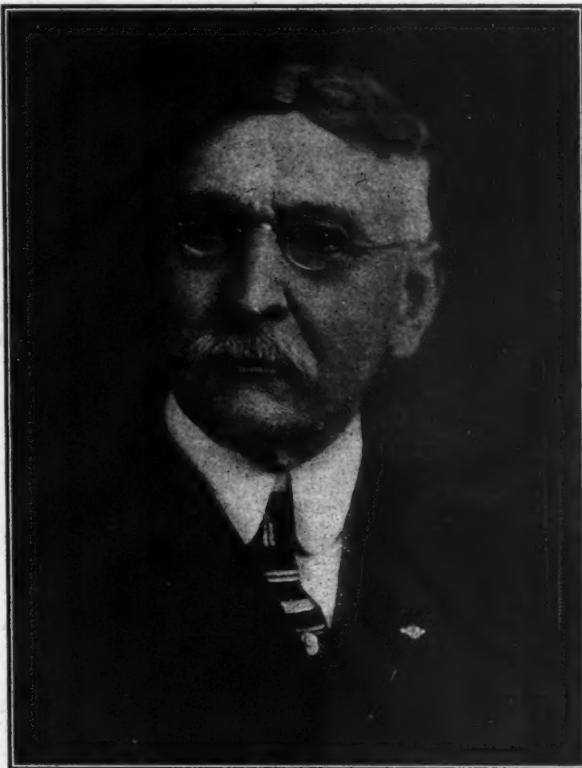
Now, if you are going to wage a war that costs you half of your total production, and really it will cost, when we get fairly into operation, perhaps two-thirds of our total production per year, it is obvious that we are face to face with a situation which is something more than financing. You measure it in terms of money, but, in fact, it is terms of material. How are you going to carry on a war which adds to the ordinary production of material, we may say two-thirds, or at least a half, of the ordinary consumption?

"Well," you say, "we can increase the production." But we have practically reached the limits of production in some parts of our nation. We actually cannot get the material to make the things, we cannot get the fuel to operate the machinery, we cannot get the power to do the necessary things, we cannot get the shelter to take care of our people. In other words, the ordinary sort of thing which can be looked for and awaited in times of peace lies quite out of the question in times of war.

When you add a demand of such enormous extent to the ordinary demands of life, you cannot increase the production to meet the demand. You must, therefore, save out of the ordinary consumption the amount which will be necessary to supplement the added production.

We have never been able to get that clearly in the minds of the American people. We have not been able to get it even into the minds of the business men. There has been the demand that business should go on as usual in times so unusual as this. Why, the actual consumption of actual raw material is such that it is impossible to go on as we have been going! We have not the men, we have not the material. It cannot be done. The war is lost unless you men of the business world frankly recognize the fact that there must be a fundamental change in the attitude of the American people in the field of consumption.

There must be a saving of material else the war cannot go on. For we are the last nation that has any reserve. We are enormously rich. We have more capital, more actual concrete wealth in value than all the other warring nations put together. We are practically untouched. The debt of Germany, I suppose, is 50 per cent. over against her actual wealth. England, I suppose, has from 30 to 35 per cent. debt over against her national wealth, the total national wealth; France about the same thing.



J. E. PORTER  
Firth-Sterling Steel Co., McKeesport, Pa.  
Director

We go into the war with \$240,000,000,000 in actual wealth with a negligible debt, but we are the last group to which appeal can be made. One nation after another has had its raw materials used up. Germany and Austria and Russia and Servia are on the point (and Turkey) of approximate starvation. They have not and cannot get the food they actually need and we of the western world are the only people left. We must take care of the whole

world. We must feed ally and enemy alike before we get through with this thing and we cannot do it and feed ourselves and carry on our business exactly as if war with its stupendous demands were not being carried on.

The question of saving becomes in America a saving of world cataclysm. It is difficult to realize this fact, but we are face to face with it and if we people in America undertake to go on as we did go on before the war, the world cataclysm, which means famine, cold, naked, starving, dying people, is not only to be the fate of the Central Powers, but it will spread inevitably, slowly, across the world. The world has not the stuff and we must help by denying ourselves, we must help that the world may have enough stuff to live on and fight this war through for the protection of our sacred institutions.

To get the American people to realize this great truth is one of the tasks of this committee on war savings. I know what many people have thought about it. A friend of mine referred to it as a matter of dealing with chicken feed. We have talked about twenty-five-cent thrift stamps; we have talked about pasting the Kaiser's eyes up with these thrift stamps; you stop to calculate and it takes a great pile of twenty-five-cent thrift stamps to raise \$2,000,000,000. We want to forget the thrift stamps and talk about certificates. It is an enormous loan, a loan in itself that is pretty nearly as big as the total debt of the United States at the end of the Civil War, but this means of national financing is simply one means of educating the people down to the poorest child to sacrifice and to save in a serious way for the United States of America.

The other day the question came up from some of our county chairmen as to whether the names of people who refused to buy these stamps should be published. I have taken the position that this whole savings proposition, of which this stamp act is a sort of agent only, is a phase of national service and that the man who will not save in his food and in his expenditures, that is to say, any form of activity that uses materials that could be used for the war or used as labor that is necessary to produce the materials necessary for the war, is disloyal to the United States of America. (Applause.)

We are face to face with one of the crises of our history. There has never been a moment in the history of the world that is like this in which we now are. The seriousness of it! It is not a question of the Italians winning a few yards or the Austrians being driven back a few miles; it is not even a question just now of beating back the German offensive. We are going to beat it back and we are going to keep on beating it until the Germans cannot be offensive any more (Applause), but the issue is not merely that. The issue is so enormous, so titanic that even that terrific weapon becomes dwarfed in comparison.

The thing we face is whether the United States will feed into its belly surplus food, unnecessary food, that is necessary for the actual life of men, women and children the other side of the sea. The question faces us, whether we will use for our luxury and comforts the actual labor and actual materials that must go toward

the production of munitions of war and for the conduct of this terrific undertaking, the like of which history never saw and pray God will never see again. And all of our national financing will amount to nothing unless there is a consecration of the entire economic world to the task of reducing consumption at one point in order that there may be larger materials for consumption at another point.

You and I must save or see the world go down into awful ruin. And that is not rhetoric, but the plain, cold fact and the American people must begin to see it. We are not to understand what this sort of thing means until we not only go without our pleasure yachts and our wheat bread, but when we go without the things that we fairly need to keep up the morale and physical stamina of the nation. Unless this war stops soon with its terrific consumption of the actual needs of life we shall all be drawn in an awful abyss of unquestionable misery, and the only way to guard against it is to deny ourselves while we have some sort of surplus and while we have the materials that can be conserved.

But we are facing a great harvest. What man can travel (as I have traveled recently) from North Dakota clear to southern Illinois and out into Kansas and all over this middle west without gaining a new thought, a wonderfully patriotic feeling in his soul? And the thought that by the grace of nature this garden is pouring into the impoverished world a wealth of wheat and corn such as it has almost never seen before—this is my country! (Applause.)

I stood the other day at a railroad station puzzling out one of our democratized train schedules. As I stood there I watched the trains go by to some little town down in Ohio and there they went by, enormous trains, half a mile, three-quarters of a mile long. One of them was filled with livestock and another filled, so far as I could tell, with food products. Now, there is nothing very poetic about a freight train. There is, indeed, something that is most prosaic about a freight train, but I must confess when I stood there and thought what those freight trains meant, gazed at the engineer and fireman looking at me from the window and the blue-coated brakeman at the end of the caboose who was saying a sort of genial benediction to the town as it passed through, they became to me ministering angels and I felt again an enthusiasm for a land that was thus able in its freight trains to represent the tremendous power of helpfulness and material resources for the whole world.

We must fill those freight trains. We must make up these freight trains all the time to carry the things we do not consume into the world that has nothing or all but nothing to consume. We must raise the money and the man who will not buy War Savings Stamps is either a pro-German or a pauper, and I would rather be the latter. (Applause.)

But the effort to place this great loan through all the states from which you come is one of the greatest things that ever happened to the American nation. You see what we are doing? We are making millions of people creditors of the government and I do not need to remind you of the Credit Men's Association that

you have a large amount of interest in people who are your creditors and the government of the United States is debtor to millions of American citizens. Think of the standardization in national thinking that that means.

We are in this extraordinary loan, nationalizing war by the very simple process of making every man, woman and child in America the creditor of the national government, and in the same proportion as we carry this thing through, this attitude of saving which is aided by this attitude of purchase of stamps or certificates out of current income are we transforming an entire nation. We are going to come out from this war a nation of savers, at least a nation that has been forced to save temporarily. We are going to come out of this war with a new national spirit and a new conception of the immediate relationship of the individual to the national government itself. We are going to come out of this war with a national spirit that is no longer a mere matter of rhetorical flamboyancy but is going to be purified and consecrated by the blood of our sons and by the sacrifices we, ourselves, perform.

Now, to have a part in that thing is, it seems to us who are immediately concerned with it, one of the great opportunities of the business men of the United States. The inevitable always comes off if you give it time and the thing which is inevitable just now is the readjustment of the whole commercial and industrial life of this nation.

The readjustment from the time of peace and underconsumption to a time of war and overconsumption is inevitable. No, the world has never been able in the past to make that transition without fearful social and political cataclysms. I believe that we are going to do that thing now in the same proportion and only in the same proportion as the men who are the great representatives of the financial and the commercial and the industrial parts of the world, not only practice the readjustment of their own business into the new forms of production but also as they cease to stimulate the desire of men to buy the things they do not need.

The business men of America are called upon to make a supreme sacrifice at that point, the supreme sacrifice of consecrating their business, as they are consecrating their sons, to the support of the government of the United States. (Applause from audience, standing.)

Secretary Tregoe here read a message from Bainbridge Colby, as follows:

"National Association of Credit Men—More than I can tell you I regret my inability to attend the convention of the Credit Men's Association and to avail myself of an audience so representative and important for an address I had hoped to deliver. Official business of the most pressing importance holds me in Washington and has made the trip an absolute impossibility.

"I know you will all understand and remember that I was obliged to accept your kind invitation conditionally. Best wishes and congratulations on the success of your convention.

"BAINBRIDGE COLBY."

PRESIDENT WHITLOCK—Always of vital interest but especially important in these times is the subject of government finances and it is, indeed, timely that we are to be addressed to-day by one whose invaluable service in judicial, legislative and executive departments of the state of North Dakota is widely and favorably known, but who now holds the keys to the treasury vaults of the nation.

I have the honor to present the Honorable John Burke, formerly governor of North Dakota and now treasurer of the United States of America. (Applause, audience standing.)

### Address of Hon. John Burke

TREASURER OF THE UNITED STATES

It is a great privilege to live in this day and in this country; a great privilege to be in close touch with the wonderful things that are being done, and the still more wonderful things that are to be done in the near future. Our business development and our modern conveniences of life are marvelous. Business necessity has given us the telegraph, the telephone, the railroads, the Reserve Banks and the National Association of Credit Men. Through these instrumentalities our great business institutions are enabled to do business daily throughout the entire country. The telephone, the telegraph, and the railroad have brought us closer together in business relations, and the National Association of Credit Men has established confidence in the business world, which enables it to do business on credit, while the Reserve Banks place ready money within the reach of every man who has credit.

Your organization extends into every community, and your members are among the brightest men in the business world. There are few vocations in life requiring more varied qualifications. The credit man must be a judge of men. He must be able to size up all sorts of situations and all sorts of men. He must be practical. He must be a judge of value and he must be a diplomat and get the information which he needs without giving offense. We are fortunate in having this organization. We need it to help concentrate, center and subordinate every business interest in the country to the winning of the war. We must meet the power and force of our enemies with a greater power and greater force. It is just as necessary to have men in business and upon the farm as it is to have them in the army and navy. It is just as necessary to have man-power in war industries as it is to have man-power in the trenches. The boys in the trenches can not fight without guns or munitions or without food. We must keep every channel of industry open, working at more than its usual capacity, if possible, for it is not only necessary for us to feed and finance ourselves and our armies, but it is necessary to feed and finance our Allies. We must not stop making money, or the time may come when we may not be able to respond to the demands of our country in purchasing Liberty Bonds, Savings Stamps and Certificates.

There is no question about the loyalty of the American people nor their willingness to do anything and everything to assist their country in this awful war. But there is much wasted effort. Men are leaving work they understand, that they know how to do, and are wandering aimlessly about, taking up space on trains and in hotels, looking for something to do that they know very little about. The average citizen not called to arms can best serve his country in doing something he knows how to do. Encourage him. Help him to do more of it and to do it better than he ever did it before.

We must not overestimate our strength nor underestimate the strength of our enemies. We must look at the situation as it is; not as it might have been, but as it is. It is better to have more men in France than are necessary than to have fewer men than are necessary. It is better to have more munitions and guns in France than are necessary, than to have fewer guns and munitions than are necessary.

We hear a great deal about the morale of the German and Austrian armies being destroyed; we hear about the people of Germany and Austria dying from starvation; and the immense number of Germans that are killed in all their drives. From the reports that come to us through the press it appears that there are likely to be at any time revolutions in Austria and Germany that would end the war. We hope the reports are true; but in spite of these reports, we know that the great German army continues to make its drives, and that every time it makes a drive it captures territory, guns and supplies. We know, too, that ever since the first Hohenzollern acquired title to the electorate of Brandenburg, more than five centuries ago, the House of Hohenzollern has never recognized nor obeyed the commandments: "Thou shalt not covet thy neighbor's goods" and "Thou shalt not kill."

Whenever it suited her purpose, her policy has been one of deceit, intrigue, treachery and ruthless aggression enforced by military power. Becoming the dominant force in Germany, she established and Prussianized the German empire and subordinated every force and power therein to her will. Her watchword has ever been not RIGHT, but MIGHT, and she has builded a government upon the doctrine of MIGHT, not for the happiness and protection of her people, but for POWER, AGGRESSION and CONQUEST.

During the reign of Emperor Wilhelm, the grandfather of the present Kaiser, when Bismarck, the so-called Iron Chancellor, was in power, she looked with covetous eyes across into the province of Alsace-Lorraine, where God had stored great quantities of iron, and when she was prepared for the conquest of that territory, Bismarck, through intrigue, deceit and misrepresentation, precipitated the Franco-Prussian war, at a time when France was totally unprepared. She acquired then the territory of Alsace-Lorraine, with its great storehouses of wealth, and also she acquired what was considered almost an impossible indemnity from France. All with so little effort that she began to dream of a world conquest, and the Prussian, when drinking his glass of beer, toasted the day when "Deutschland would be over all." To Prussia the dream became a reality

and she continued her preparation for "THE DAY." For more than fifty years she has had her great machinists constructing machines for the destruction of human life. She has had her great chemists constructing bombs and hand grenades and poison gas and curtains of fire—all for the destruction of human life. We know that the Germans are efficient, industrious and frugal; and that efficiency, industry and frugality have been employed in the build-



G. L. LEVI  
Samuel Sternberger & Co., Philadelphia, Pa.  
Director

ing up of a tremendous military machine. During all of the time that they were manufacturing these great weapons they were buying the material used in their manufacture at normal prices. They were paying the employees working in the manufactures normal wages, and the war began *when Germany was ready, not before*. Germany had the munitions, the guns such as had never been manufactured before in the history of the world, and practically every man in Germany was a trained soldier.

For at least a quarter of a century she has been teaching in her schools the superiority of the German people, much of the subject matter of which was injected into books used in this country for instruction in the German language. She planted her spies in every country of the world to keep track of and report the military and naval strength of the countries of the world, spies who talked peace as between this country and Germany and war as between this country and Japan, and this country and Mexico. She placed at the head of this great spy system in this country her ambassador. When we think of an ambassador, of a man who stands in a foreign country as the representative of a great nation, we think of a man above reproach, a man the soul of honor, a man free from deceit and intrigue, a man of the highest ideals; and Germany prostituted this high place to the low, despicable level of a "spy." During all of the time that her ambassador, Count von Bernstorff, remained in this country after the war began in Europe he was under the protection of the American flag; his domicile in the national capital was guarded night and day by our police; he was giving out interviews in substance that his great influence in Germany and his great love for the United States would keep the two countries at peace one with another, while secretly he was the head, body, soul and spirit of every conspiracy to involve us in war with Japan; to involve us in war with Mexico; to blow up our munition and our ship-building plants, and to create trouble and strikes in our manufactories. You remember how nearly we came to being involved in war with Mexico, and what a fine condition we would be in to-day if we had our armies chasing Mexicans over the deserts of Mexico. The propaganda to involve us in war with Mexico ceased when von Bernstorff was sent home, and we have had no trouble with Mexico since. Can there be any doubt about the origin of our troubles with Mexico? None whatever. It was purely German, and it ceased when the head of the conspiracy was cut off. In all this von Bernstorff acted for Germany. His acts were Germany's acts. "The hands were the hands of Esau, but the voice was the voice of Jacob."

Why all this preparation? No power was threatening Germany. Why was she building these great machines for the destruction of human life? Why was she creating the poisonous gas, the hand grenade, and all these diabolical and cruel weapons of warfare? What were they to be used for? They are useful for just one thing, and that one thing is to *KILL and MURDER*. What does the man who uses the talents that God has given him for a better purpose, in the construction of machines for the destruction of human life, care for human life? He has spent his life in creating ways and means to destroy life. The thing he is interested in, is—will this machine do the work for which it is intended? It is a creature of his brain, of his talent and his handiwork. He loves it and it becomes just as much a part of him as the painting that the artist creates upon the canvas. How about the great military organization in Germany? Who supervised, planned and ordered the manufacture of these weapons? What does it care for human life?

And last, but not least, what does the soldier care for human life who firmly believes in militarism and who has been trained to kill?

Germany was ready for "THE DAY." She had everything prepared and in order, while upon the side of the Allies everything was disorder and confusion. All Germany needed was money to pay the current expenses of her great armies. The Allies had no great armies; no great stores of munitions, and had never heard of the tremendous German guns until they faced them. They had to raise armies, build munition plants, and pay exorbitant war prices for labor and for the material that went into the munitions and the guns.

Let me repeat: That on her entry into the war Germany only needed money to pay the current expenses of her armies, and she made the Allies pay a great part of that. She moved in upon the fertile fields of Belgium and France, of Serbia and Russia and Poland. She enslaved the people in the captured territory, transported them wherever it was necessary, and compelled them to raise food products to feed the German armies and the German people. The territory she captured in Russia during the fall of 1917 is said to have produced eighty million bushels of grain last year. Whenever she enters foreign territory, she immediately begins to lay the foundation to Prussianize it. She took over all the cities in captured territories, put them under a Prussian military governor, who levied exorbitant war taxes to pay the expenses of the German armies. She has the coal fields of Lens, the wheat fields of Russia and the oil fields of Roumania. She has approximately three times the productive territory she had before the war—and all the territory Germany gained the Allies lost. Aye! they lost more. They lost the great sums of money that Germany levied and collected from the cities captured; and then, there are the great battle lines, a battle line in the west some seven hundred miles in length, with millions of men on either side, marching backwards and forwards—first in one direction and then in another. It is shell-torn and battle-scarred. It is dug full of trenches and covered with the débris of battle. A tremendous territory which, in ordinary seasons would be groaning under golden fields of grain, is running red with human blood—not gained by Germany, but lost to the Allies. She sent her submarines raiding the oceans, sinking hundreds of ships and millions of tons of food products and munitions, and thus, the resources of the Allies were cut off at home and abroad. This is why it is necessary for us to make every acre of our land produce the greatest amount of food products and to conserve food to feed the Allied armies and the people of the Allies' countries. This is why Germany has been so formidable in this war. She has taken the resources of the Allied countries and we must restore them. We kept out of this war as long as we could with honor, and until it was necessary to enter it in self-defense and to maintain our rights to the freedom of the sea.

When we became involved in the war, Bonar Law, the great English statesman, said in substance that the United States had saved the Allies. Yes, we saved the Allies, and by saving the Allies we saved ourselves. If we had not entered the war at the time

we did, Germany would have conquered the world. The finances of the Allies were exhausted. The submarines were cutting off their food products, and without food and money the Allies would have been forced to surrender. The Germans would have captured the great British navy and the French navy, the Italian navy, and what would be our position? We would not have had a friend among the nations of Europe. Before our entry into the war the Allies were unfriendly to the United States. They claimed that they were fighting our battles and that the only reason why Germany was not fighting us at the time was because it was necessary for her to fight and conquer the Allies first, and that while they were fighting our battles, we were enriching ourselves by selling them munitions at exorbitant prices.

On the other hand, Germany was our enemy. To conquer the world, it was necessary to conquer America. Besides, she insisted that we were prolonging the war by selling munitions to the Allies. But even if the Allies were friendly, they could not help us after they had surrendered and signed a treaty of peace, and these great armies out of a job, would have looked across the Atlantic to this country, the richest country in the world. In addition to our great natural resources and almost inexhaustible wealth, we had accumulated and held over one-third of the gold of the world. There are only nine billion dollars of gold in the world, and prior to our entry into this war we had over three billion, three hundred million dollars in gold, and Germany, with the English, French and Italian navies, and her own great armies, supplemented by thousands and tens of thousands of the Allied soldiers, would invade and make war upon the United States. Germany then could send millions of soldiers into Canada, millions into Mexico, and as these mighty armies north and south were marching across this country to meet in the center, our coast cities would be subject to attack from the combined navies of Europe. War with Germany was inevitable. We had to fight her with the Allies, or we would have to fight her without the Allies.

You can understand how the food supply of the Allied countries has been cut off by the destruction of submarines and loss of territory, but how do we know that the finances of the Allies were exhausted? Well, we know that immediately after our entry into the war, all of the Allied countries sent commissions to this country—all with the same appeal for money to prosecute the war. We know that we have given them a credit of more than five billion dollars. Do you know how much money that is? I suppose none of you ever had that much money at one time. It is difficult to comprehend. If it were in gold it would make nine thousand five hundred tons avoirdupois. When I was a boy on a farm a ton was a good two-horse wagon load. Think of it—nine thousand, five hundred wagon loads of gold; not troy or mint weight, but avoirdupois. If it were hauled in wagons, it would make a procession more than forty miles in length. Of course, this money does not go to the countries of the Allies. It is a credit given them in the great financial institutions of this country, and it is checked out in payment for our beef, our pork, our mutton, our wheat, our wool, our cotton, and at prices never received before. This is one of the

reasons there is such great business activity in this country and so much money in circulation. Of course, this is only a small part of the money that the government is putting into circulation. In addition to this five billions of dollars that is being turned over and over and kept in circulation in this country, there are the immense sums of money the government is spending in training and equipping armies and building navies and ships and cantonments.

The money which comes into the United States Treasury from the sale of liberty bonds, savings stamps and certificates, income tax and from every other source, does not lie idle in the Treasury vaults. It is put into circulation in the prosecution of war activities. A short time ago, while in Nashville, Tenn., one of the big bankers of that city said to me that he had been afraid that the sale of liberty bonds would decrease the bank deposits, but that on the contrary, he had more deposits in his bank than he ever had before. Of course he has, for this money flows out of the United States Treasury through all the channels of business and trade, and finally comes back to the banks for deposit.

In addition to this great credit given to the Allies, we sent immediately our torpedo fleets into the danger zone. They are sweeping the German mines from the sea; they are chasing submarines and destroying the morale of the submarine pirates. Our ships are so well armed that the ship is just as likely to get the submarine as the submarine the ship. Before our entry into the war it was a privilege to be on a submarine. The merchant ships were not armed. The sea was not filled with submarine chasers and the submarine could sail along on top of the water, fire a shell across the bow of a ship, board it, rob it of its money, its silks, and of everything of value, then blow it up and board the submarine, each with a princess ransom. Captain Kidd, and Morgan, and the other old buccaneers never had such opportunities as the pirates on the submarines before our entry into this war. They have recently appeared in American waters, but you will remember that the ships sunk were unarmed sailing vessels and the activity of the navy department will soon make American waters a danger zone for the submarine as the Allied waters are to-day.

It is now necessary for the submarine to keep submerged most of the time. She is compelled to use a torpedo with the armed ship and if the torpedo hits the ship it sinks before they can reach it or board it, and hence they no longer can enrich themselves as they could and did before our entry into the war. Besides, it is mighty unpleasant to keep submerged most of the time. Think of it: Away down under the water in an air-tight ship, no air except what is manufactured, with all the machinery at work; the terrible heat can be imagined but not described. In fact, it is said that there is only one hotter place which is frequently mentioned in sacred history. Possibly it is only preparing the submarine pirate for a future existence. If they are not fit subjects, what is the use of having a hell anyway?

In addition to all this, we have eight hundred thousand soldiers in France to-day who are holding a sector on the great western

front and have repulsed the enemy in every attack, a wonderful, almost miraculous achievement when we consider that we had to raise this army from among our civilians. We did not have even sufficient officers to train the armies. It was necessary first to establish training schools for training and qualifying officers. It was necessary to build ships to take them to France after the soldiers were trained and it was necessary to build railroads in France to take them to the front. And yet we have eight hundred thousand soldiers fighting for democracy on the western front and the information is that there will be a million by the first of July. Our army in France has had the benefit of the training of French and English officers who have been in the war from the beginning. They know that the Prussian soldiers have violated all the conventions of war. They know they have flown over cities and dropped bombs upon helpless women and children. They know that they have fired upon the Red Cross. They know that they have bombed hospital ships and hospitals, killing many trained nurses. They know that they violated the flag of truce and used it as a decoy to draw their enemy into ambush. They know that when the Prussian soldiers come with their hands up calling Kamarade! Kamarade! that it may not mean a friendly salutation and may be only the means to throw them off their guard or draw them into ambush, and so when the Prussians come hands-up hollering Kamarade! Kamarade! the American soldiers will respond, not with the friendly salutation of comradeship, but with the imperative command Kamarouse! Kamarouse! as they give them the bayonet, apparently the only way to meet the Prussians upon the battlefield.

Oh, how different it was with the poor French and English. You remember how that great Prussian army, the greatest in number ever mobilized, the best equipped with munitions of warfare, in all the history of the world, swept in across Belgium, across into France, and right up to the very gates of Paris, and out to meet them came the French soldiers. They knew nothing about the poisonous gases, nor the curtains of fire, nor the hand grenades, nor the great guns until they faced them. And yet those heroes marched out from their homes, met and drove back the invading Germans and SAVED DEMOCRACY FOR THE WORLD.

There has been much criticism, some investigation and some investigations still under consideration. I predict that the final reports will show marvelous progress of our armies upon land, upon sea and in the air. As I speak the enemy is held in check in both France and Italy, our troops are pouring into France and we are calling more to arms. This will continue until Germany is conquered and a treaty of peace is dictated absolutely by the Allies. We can accept no other peace. We know Germany overran Russia, forced her into a shameful treaty of peace and yet her armies are still invading and capturing Russian territory. We know that she overran Roumania, forced Roumania into signing a treaty of peace by the terms of which she controls the oil in Roumania for ninety-nine years with the privilege of keeping her armies in Roumania. If she has signed a treaty of peace with Russia in good faith, why

has she not withdrawn her armies? If she has signed a treaty of peace with Roumania in good faith, why has she not withdrawn her armies from Roumania? She is keeping armies in Russia and Roumania so that if she wins the war she can complete her conquest of the world. Hence, the only kind of a peace the Allies are justified in accepting is one that they will dictate. Already those in Germany who apparently have the right to speak are talking about the next war. *There must be no next war.* If there is a next war, then all the blood that has been shed, all the women that have been outraged, all the children that have perished from cold and hunger, all the misery and desolation that has followed in the wake of this awful war will have been in vain. It must go on until it ends in an enduring peace and a triumphant democracy. There is almost no limit to the power of a city, a state or a nation in making police regulations to make life and liberty safe, and if a city or state or nation can make such regulations, who shall say that the Allies, in dictating a treaty of peace, shall not include in that treaty provisions for some international authority to prevent any country from so arming itself again as to become a menace to the peace of the world.

It may be necessary to take Alsace-Lorraine away from Germany as a police regulation. As long as she has Alsace-Lorraine she will use the iron found in such large quantities in that country for the manufacture of weapons and munitions. They call the Kaiser a man of blood and iron. Take Alsace-Lorraine away from Germany and let them get the iron out of the Kaiser. Take the oil fields of Roumania away from Germany and let them get their oil out of Count von Bernstorff. He is the oiliest proposition we ever have had in this country.

We must not cease our activities, but on the contrary, we must speed up. If there is famine and starvation in Germany and Austria, the Allied prisoners of war and the innocent people in the captured territory will starve first. We must rush to their aid. The quicker and the harder we strike, the sooner will this war be over and our boys will be coming home again. And oh, what a great day that will be, when the boys come home! The sons of the rich and the poor, the high and low, marching side by side, comrades all—with the emblem of Liberty, that never has been trailed in the dust of defeat, floating over them, emblazoned with new glory and bringing us all closer and closer together. "Oh! we shall know each other better" when the Huns are cleared away.

This is a life and death struggle between AUTOCRACY and DEMOCRACY. If we lose, we lose everything. Everything that makes life worth living. Everything that our country stands for. WE MUST NOT LOSE. WE CANNOT LOSE, for our great President is recognized as the leader in the great conflict to make democracy safe for the world. We are standing by him as Americans, all Americans, upholding his hands, responding to his call for men and money, UNITED, DETERMINED and INVINCIBLE. (Great applause and cheers.)

## Afternoon Session, Friday, June 21, 1918

The convention was called to order at 2:30 by President Whitlock.

**PRESIDENT WHITLOCK**—The first matter of business is the presentation of resolutions by our Committee on Resolutions, H. H. Merrick, chairman. (Applause.)

Mr. Merrick presented resolutions as follows, each of which was adopted by unanimous vote.

### I

The National Association of Credit Men recognizes that the purchase of Liberty Bonds should be a permanent investment, and that these bonds should not be sold except under necessity and particularly that they should not be traded in as are ordinary securities.

We particularly deprecate the offering or accepting of Liberty Bonds in settlement of merchandise accounts, which, if practiced to any extent, would defeat the plan and the purpose of the government to bring about and maintain as wide a distribution as possible of these government investments.

### II

*Whereas*, The sale of War Savings Stamps and Thrift Certificates has been made part of our government's "win the war" program; and,

*Whereas*, The government has urged the people of America to recognize the need for practicing systematic thrift and the benefits that follow investing their savings in these forms of government securities; and,

*Whereas*, the government hopes to realize through the sale of War Savings Stamps and Certificates the sum of two billion dollars by December 31, 1918; and,

*Whereas*, By proclamation of President Wilson, every adult person throughout every state in the United States is to receive a summons to meet on June 28, 1918, at a definite hour and place and for the purpose of pledging full cooperation to the government in the purchase of Thrift Certificates; and,

*Whereas*, President Wilson has particularly stressed the fact that Thrift Savings is not merely a child's task, but one demanding the best thought and consideration of every man and woman in America. *Be It Resolved*, That this convention go on record as giving its unqualified endorsement to the War Savings Campaign now being conducted by the government and recognizing the need for full cooperation on the part of every adult person throughout the United States urge the delegates here assembled to pledge their individual support to the government to the end that the nation-wide drive on June 28 may be successful beyond the fullest expectation of President Wilson.

## III

In these days when from the highest government officials down, all are decrying every manner of waste, we as credit men must not forget that through our laxness and leniency many forms of waste in *our* department of business are being countenanced which certainly in these times should not be permitted and this convention here voices an earnest appeal to every member of the Association that he set his face hard against such common abuses as the unwarranted return of merchandise; the taking of the unearned discount and of time longer than is set out in the contract of sale without paying interest for the extended period; the arbitrary deduction of claims or the making of claims against the seller which properly should be filed with the carrier.

Such abuses cannot be controlled by legislation, nor by the pronouncement of a great association, but we as credit men should recognize that it is against just such forms of waste and such practices that it is our particular duty to wage constant battle in which every credit man should exert his fullest influence to help every other.

## IV

Those European peoples who have been actively participating in the great world war found it was necessary early to secure and actively to continue in service experts from various lines of trade and manufacture in the study of universal trade conditions, in preparation for taking instant advantage of world-wide trade opportunities not only of the moment but especially after the war.

There has been instituted what is known in England as the "London Council of Commerce," whose sole duties are in the direction and to the end which have thus been briefly outlined. And believing that similar action should be taken immediately in this country, we suggest that it be

*Resolved*, By the twenty-third annual convention of the National Association of Credit Men that authority be given the president of the National Association of Credit Men to appoint a committee of five of our members who are eminent in trade or commerce or natural resource who will devote themselves to the furtherance of a plan based upon lines that are similar to those under which the London Council of Commerce is working.

## V

*Whereas*, Problems of far-reaching significance to our credit structure will constantly arise during the war period and for some time thereafter, calling for careful consideration on the part of our most experienced business men; *Be It Resolved*, That this convention call upon its proper officers to appoint an inner council of its members, to be known as the Council on War Credits, which shall hold frequent meetings for the purpose of conferring on matters of nation-wide credit importance, and tender their conclusion both to the members of the Association and those of our government authorities whose duties relate intimately to credit affairs; it

being understood that special attention be given by the council to the plans and operation of the War Finance Corporation, the determination of whose policies is of the highest importance to our credit structure.

## VI

*Resolved*, That it is the sense of the National Association of Credit Men, in convention assembled, that a committee be appointed to formulate a plan that shall be embodied in a resolution to Congress requesting the enactment of a national trade-mark law, and the adoption of a designated national trade-mark whose design or chop shall include or incorporate the "Made in the U. S. A." and to suggest also that the same be used only by permit from a properly constituted government bureau, and then only on articles manufactured in or on products of this country that shall be approved of or of standard quality of character and that same shall be used on such approved articles or products or on their containers whether for domestic or foreign use. Fitting penalties for violation to be prescribed. And be it further

*Resolved*, That copies of such resolution be forwarded to each branch association with the suggestion that they pass a resolution of approval and forward same to their respective Senators and Representatives in Congress.

*And Further*, That the national secretary and treasurer forward copies of this resolution to the President of the United States, interested officials and to the Associated Press.

## VII

*Resolved*, That the National Association of Credit Men, in convention, directs an earnest appeal to Secretary McAdoo, as Director-General of Railways, that approval and authority be given the railroads now under government operation and control to settle for their purchases with trade acceptances as a means first of largely utilizing the credit of the railroads in a manner that seems most naturally to fit into our great banking system, and second, as affording the best possible method of giving the stamp of government approval to the use of the acceptance in settlement of merchandise obligations, a matter of great importance because there is thus created that great body of acceptance paper which will give the fullest guarantee of a highly liquid banking condition.

## VIII

The National Association of Credit Men, in convention assembled, having a full realization of the urgent need of the government for a continuous accession to the resources of the nation to be utilized in the prosecution of the war, has appointed a committee to study the problems relating to the income and excess profits taxes, the purpose of which committee will be to cooperate and consult with government officials, offering them such information and suggestions as their experience may dictate, to the end that a just and equitable distribution of the burden of taxes may be secured.

The convention has full confidence in the wisdom and unselfish patriotism of its committee, and urges that in order to assist it in its deliberations both local and national organizations consult with it, offering it the benefit of their experience and thought, and that such recommendations as the committee may make be followed.

In offering to cooperate with the government and in tendering their services, the membership of the committee is actuated solely by the desire to be helpful, and its deliberations will form but one more reflection of the intense patriotism which dominates and actuates this convention and the National Association of Credit Men.

## IX

*Whereas*, To overcome the annoying and costly delays in completing shipments of necessities of manufacture, due to the fact that our railroad carriers have been overwhelmed by the demands upon them arising out of the war, there has been brought into increasing use the heavy auto-truck for long-distance hauls; and,

*Whereas*, This method of moving merchandise has served greatly to relieve the strain on our railroads, and, indeed, proved a necessary auxiliary to our transportation facilities;

*Be It Resolved*, That the Council of National Defense be urged to promulgate at the earliest possible moment a governmental policy of highway construction and maintenance which will permit the various states to proceed with their highway work upon a sound basis, so that the highways may properly serve the nation in transporting essential supplies.

## X

The National Association of Credit Men has been gratified to note from time to time the success with which our local credit men's associations have been able to cooperate with the various government bureaus which are engaged in the difficult task of establishing novel relationships between the government and the people. These associations, through their knowledge of local conditions, have been able frequently to help in making the work of these bureaus more effective and equitable and have thus been performing a patriotic service; therefore be it

*Resolved*; That our local associations be encouraged to put their facilities to the fullest possible extent at the service of our government agencies and bureaus, such as, for instance, the draft boards, those controlling the distribution of food, coal and other supplies, those determining upon credit accommodations, etc., and be requested to render reports of all such activities to the National office, so that sister associations may be led to enter into similar service for the government.

The following resolution calling for universal military training was offered by the Committee on Resolutions and won instantaneous acceptance and the action suggested immediately taken:

## XI

Knowing the wonderful benefits which are possible through intensive military training as experienced by our boys in the

national army cantonments, and knowing, also, that they are stronger men in mind and body, better equipped for the battles of peace as well as war, and, finally, believing that similar training as a permanent policy of the United States will build up our man-power, make for greater efficiency, provide for the common defense upon the only equitable basis, instill respect for the laws of the land, eliminate class and caste, and Americanize our diverse citizenship as nothing else will; therefore be it

*Resolved*, That the National Association of Credit Men, in annual convention assembled, urge the early adoption of a permanent national policy of universal obligatory military training for all young men before voting age.

*Resolved Further*, That a copy of these resolutions be forwarded to each Senator and Congressman of the United States. (Applause.)

PRESIDENT WHITLOCK—We will now have the report of the Membership Committee by R. J. Kane, of Chicago, chairman. (Applause.)

MR. KANE—I am grateful, indeed, for your generous reception. I feel that the men who have shared the membership campaign this year with me are entitled quite as much to your plaudits and if you will bear with me for a moment I am going to call their names and have them rise so that they will be recognized:

Mr. Wakefield of Pittsburgh.

Mr. Farrell of Richmond.

Mr. Ihrig of Dayton.

R. G. Elliott of Chicago.

Mr. Hart of Chicago.

W. J. Burton of St. Louis.

Mr. Lotz of New Orleans.

Mr. Atwood of Minneapolis.

Mr. Kelly of Minneapolis. (Audience applauds each.)

I am sorry to announce that Mr. Erickson of Boston, Mr. Wells of Denver and Mr. Rice of Seattle were unable to be with us.

I do not know how we could have succeeded in our membership campaign this year but for the help of Mr. Meek of Indianapolis and that of Mr. Atwood of Minneapolis. At the start of the year the Board of Directors advised that they would be contented with whatever gain we could make. They expecting about a twelve hundred net gain. In some quarters it seemed as if the curtailment of expenses meant so much that people would be satisfied if we held our own. In spite of this we have turned the year into the banner membership year in the history of the organization with a gain of 2,594, giving a total membership of 24,636. (Applause.)

I would just like to read a list of the associations which have done the highest type of work. Most of them have gone over the top, as you will see by the leaflet I have spread around, which I hope will supply the talk that otherwise I should have given.

There are some recommendations that your committee would like to make and I will cut short my talk by reading the recommendations and resolutions:

## Report of Membership Committee

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

Your Committee on Membership feels grateful that despite the unusual conditions of the year it is permitted to offer the banner report in the Association's history.

The officers and directors, when in annual meeting last September, assigned to your committee the task of obtaining a net increase for the year of 1,200 and so far as we were able to ascertain this was regarded as a maximum task. In some directions where conditions suggested economies a belief was expressed that it would have been an altogether reasonable result should the Association have merely held its membership of twelve months ago, making no definite increase at all. Your committee has demonstrated this obvious and indisputable fact that protective expenses are not to be eliminated and with so many reefs and shoals appearing in the credit channel the credit departments must support loyally the organization that had proved, through its history, the best available pilot in the credit seas.

With great pleasure and a tremendous satisfaction your committee offers to this convention a total membership of 24,636, recording a net gain of 2,594 for the year. No comparison will be made with the reports of former years for unquestionably the chairmen and committees during these years expressed the same spirit and determination which controlled your present committee and the National Association of Credit Men may be grateful for what has consistently and continuously been accomplished in this department. Modesty forbids the chairman from speaking of his own leadership but it does not forbid him from telling this convention how deeply interested he was, how consistently he followed the work from its inception, how thoroughly he observed the activities of the various units of the committee, and how appreciative he is of the many courtesies he received and the good wishes and sympathy conveyed from many quarters.

The committee was organized this year on a plan similar to the plans adopted for the immediately preceding years. The country was divided into ten districts and for each of nine of the districts was selected a vice-chairman, who surrounded himself with associates of his own selection and to whom was given the supervision of certain local associations. The contact between the various units of the committee was close and cordial. No appeal emanated from your chairman that did not meet the hearty response of each of the vice-chairmen, and as appeals emanated from them to local membership committees and to local officers there were usually prompt and assuring responses.

It would be proper at this point in the report to express the conviction that the plan of organization followed during the past year was scientific and deserves the considerate study, and, may we

say, the adoption of the incoming committee. At the beginning of the year, that is, after the appointment and organization of the committee a task was assigned to each of the local associations in the way of membership gains for the year, and we are happy to recognize the following associations for their successs in equalising or in surpassing the task allotted. Most of them went over the top:

Billings, Mont.	Lincoln
Blue-Graham, W. Va.	Los Angeles
Boston	Memphis
Bridgeport	Muncie
Cedar Rapids	New York
Chattanooga	Northern Montana
Chicago	Omaha
Clarksburg	Pittsburgh
Cleveland	Roanoke
Dayton	St. Joseph
Duluth	St. Louis
Evansville	Seattle
Fargo	Sioux Falls
Fort Wayne	Syracuse
Green Bay	Tacoma
Indianapolis	Waterloo
Knoxville	Youngstown

This is the largest list of honor organizations ever presented to a convention and is indicative of the enthusiasm which prevailed in so many of the local associations in their efforts to go over the top and compete for the year's membership trophy.

Our sincere thanks must be recorded to the local membership committees which accomplished this splendid work and cooperated so thoroughly and cordially with the National committee. We would like to dwell at greater length upon the names comprised in this roll of honor associations but the need of brevity forbids, and every one contributing even a mite to the local and National results will feel compensated in having made this the banner membership year of the organization.

In the field of individual memberships there will be noted a decline, and your committee wishes to explain this by referring to a decision of former conventions—that it were advisable wherever possible to transfer individual members to local associations of credit men, which process was very comprehensively and diligently followed during the past year. Linking up the individual membership with local associations offers better opportunities for service, fellowship and education than when facilities are limited to what are obtainable from membership in the National Association alone, and there must also be taken into account the number of individual members who have been grouped together for the organization of local associations at new points.

During the year the Helena Association of Credit Men sought voluntary affiliation with the National Association and was cheerfully accepted. Through the excellent work of E. B. Moran asso-

ciations were organized at Ottumwa, Iowa, and Terre Haute, Ind. The association at Little Rock was reorganized by Mr. Moran and its success better assured than under the former organization plans. The Greenville association discontinued for the reason that suf-



R. J. KANE  
Stevens, Maloney & Co., Chicago, Ill.  
Chairman, Membership Committee

ficient interest did not exist for its immediate perpetuation, and in a little while it is hoped that a state association of proper proportions and interest may be organized in South Carolina.

The membership department has suffered two severe losses

during the year—one was the resignation of B. C. McQuesten, who had given to the Association much skilful and splendid service during a brief period of years as a field representative. Mr. McQuesten has located permanently in Milwaukee, and it is a pleasure to testify to his fine qualities. The vacancy made by his going will be difficult to fill.

E. B. Moran reentered the service of the National Association on March 25, and his peculiar abilities and skill as an organizer were being demonstrated when he was called into the national service for training at Fort Dodge, Iowa. Our loss is the nation's gain, and our fervent wishes follow him for a safe return, when it is hoped he will resume his work with the National Association.

The awarding of the membership trophy, kindly presented by the board of directors of the Chicago Association of Credit Men, has been placed as an obligation on a special committee, of which Samuel Mayer of Cincinnati is chairman. Your committee recognizes that the number of contestants for this trophy and the closeness of their running will make the task of the committee difficult, but believes firmly when the decision is reached every one will be satisfied and no dissatisfaction or complaints occur.

It is evident to your committee that the immensity of our membership, exceeding the membership of any commercial unit of the nation, will require special study and care for its maintenance and further upbuilding. This will impose a responsibility on the National office which may best be met through the adding of a member to the Secretary-Treasurer's staff who will give to the membership field the major part of his attention and follow with thoroughness and care the drifts and currents in the association cities, and repair any breaches that are threatening or any declining of interest that might impair local memberships. There are also many points to study, such as increasing the districts of local associations so that they may embrace all of the available prospects who can with convenience participate in their meetings and in the association work generally. Too many of such questions have come to your committee to speak of them individually, but this convention will recognize the bigness of the project and how necessary it will be in future years to keep the membership of the organization under close scrutiny and act quickly if there is the least current toward diminution, or any break in our progress.

In summarizing the ideas and conclusions reached by your committee during this eventful year, we are offering to this convention the following recommendations:

First: That the membership committee be organized immediately after the convention so that its tasks for the coming year may be gotten under way in sufficient time and its program made ready for its drive before the active season of the year is fairly open.

Second: That all local associations of credit men be urged to organize and have in the field promptly after the convention local committees on membership, under capable and interested leaders.

Third: That the incoming Committee on Membership be organized on lines approximating closely the plans of the past year—with a chairman in ten districts and a division of the associations between them in such form and manner that the work of observing and supervising each district may be conducted with an economy of effort and a maximum of success.

Fourth: That every effort be made to coordinate the various units of the committee and the chairman of local committees so that there will be frequent correspondence and exchange of ideas between them and a harmony of effort that will promise the best results with a happiness and an enthusiasm throughout the entire organization.

Before closing this report your committee wishes to acknowledge the gracious and considerate treatment it received from the officers and directors of the National Association of Credit Men. These men have recognized their obligations to the membership department, have generally taken a just pride in what the associations within their respective districts were accomplishing, and your chairman has received from them the most courteous and considerate sympathy and support.

The following resolutions are respectfully submitted:

#### I

*Resolved*, that the National Association of Credit Men, in convention assembled, recognizes with sincere appreciation and gratitude the wonderful increase in membership it has been permitted to enjoy and records its thanks to the local associations of credit men on the honor list and to all of the associations and local committees that have striven earnestly for an increase during the year and have contributed to our remarkable record.

#### II

*Resolved*, that the appreciation and good wishes of this convention are conveyed to B. C. McQuesten and E. B. Moran for their services as field representatives and it wishes them God-speed in their new occupations—one at Milwaukee, the other in the nation's service preparing for the fighting front.

#### III

*Resolved*, that this convention approves and endorses heartily the recommendations of the committee for the prompt organization of the incoming committee, and the various forms of cooperation and coordination work that should assure the maximum results in the membership department for the coming year.

#### IV

*Resolved*, that this convention reaffirms the decision of former conventions in so far as it is practicable and wise, that individual members should be transferred to local associations of credit men where transportation facilities are adequate and proper regard and care are shown for the welfare and the interest of the distant member.

## V

*Resolved*, that the National Association of Credit Men, in convention assembled, recognizing the increasing immensity of the task of holding and further increasing the Association's extensive membership, recommends the furnishing of facilities to the Secretary-Treasurer for following closely drifts and tendencies in this department, which can best be accomplished through some member of his staff devoting the larger share of his attention to the membership field.

Respectfully submitted,

R. J. KANE, Chairman, Chicago, Ill.

## VICE-CHAIRMEN

O. T. ERICKSON, Boston, Mass.  
 G. W. WAKEFIELD, Pittsburgh, Pa.  
 R. A. N. FARRAR, Richmond, Va.  
 D. G. IHRIG, Dayton, Ohio.  
 W. J. BURTON, St. Louis, Mo.  
 GEO. A. LOTZ, New Orleans, La.  
 M. C. KELLY, Minneapolis, Minn.  
 GEO. T. WELLS, Denver, Colo.  
 GEORGE S. RICE, Seattle, Wash.

## MEMBERSHIP BY LOCAL ASSOCIATIONS

	June 1, 1917	Added	Resigned	June 1, 1918
Albany, N. Y. ....	54	4	...	58
Atlanta, Ga. ....	196	11	26	181
Augusta, Ga. ....	36	...	...	36
Austin, Texas ....	24	...	6	18
Baltimore, Md. ....	594	72	86	580
Billings, Mont. ....	18	8	4	22
Birmingham, Ala. ....	84	...	16	68
Bluefield-Graham, W. Va. ....	34	5	2	37
Boise, Idaho ....	37	...	1	36
Boston, Mass. ....	687	112	28	771
Bridgeport, Conn. ....	46	46	1	91
Bristol, Va.-Tenn. ....	68	1	20	49
Buffalo, N. Y. ....	401	10	4	407
Burlington, Vt. ....	46	3	2	47
Butte, Mont. ....	38	...	1	37
Cedar Rapids, Iowa ....	45	12	5	52
Charleston, W. Va. ....	153	8	14	147
Chattanooga, Tenn. ....	108	19	5	122
Chicago, Ill. ....	1,715	571	182	2,104
Cincinnati, Ohio ....	458	31	36	443
Clarksburg, W. Va. ....	78	32	19	91
Cleveland, Ohio ....	799	355	49	1,105
Columbia, S. C. ....	17	...	...	17
Columbus, Ohio ....	151	23	14	160
Dallas, Texas ....	170	39	42	167
Davenport, Iowa ....	49	5	...	54
Dayton, Ohio ....	90	27	8	109
Decatur, Ill. ....	27	1	2	26

	June 1, 1917	Added	Resigned	June 1, 1918
Denver, Colo.	141	13	8	146
Des Moines, Iowa	139	1	...	140
Detroit, Mich.	491	78	64	505
Duluth, Minn.	77	13	4	86
El Paso, Texas	36	...	...	36
Evansville, Ind.	80	55	1	134
Fargo, N. D.	45	7	1	51
Fond du Lac, Wis.	36	10	18	28
Fort Smith, Ark.	23	...	1	22
Fort Wayne, Ind.	31	95	1	125
Fort Worth, Texas	80	8	1	87
Grand Forks, N. D.	38	...	...	38
Grand Rapids, Mich.	265	19	8	276
Green Bay, Wis.	103	36	17	123
Greenville, S. C.	31	...	31	0
Harrisburg, Pa.	...	31	...	31
Hartford, Conn.	98	3	6	95
Helena, Mont.	...	11	...	11
Houston, Texas	44	13	1	56
Huntington, W. Va.	226	16	23	219
Indianapolis, Ind.	265	142	3	404
Jacksonville, Fla.	86	...	10	76
Kalamazoo, Mich.	54	2	...	56
Kansas City, Mo.	502	46	41	507
Knoxville, Tenn.	75	17	3	89
Lansing, Mich.	31	3	...	34
Lehigh Valley Association	62	2	6	58
Lexington, Ky.	42	1	4	39
Lincoln, Neb.	59	22	4	77
Little Rock, Ark.	22	37	22	37
Los Angeles, Cal.	454	302	61	695
Louisville, Ky.	207	18	12	213
Lynchburg, Va.	39	...	1	38
Macon, Ga.	31	...	4	27
Memphis, Tenn.	200	182	36	346
Milwaukee, Wis.	577	51	42	586
Minneapolis, Minn.	370	63	23	410
Montgomery, Ala.	34	...	4	30
Muncie, Ind.	31	15	1	45
Nashville, Tenn.	117	...	22	95
Newark, N. J.	414	44	32	426
New Castle, Pa.	24	1	1	24
New Haven, Conn.	105	12	8	109
New Orleans, La.	378	19	28	369
New York, N. Y.	1,659	296	88	1,867
Norfolk, Va.	149	14	8	155
Northern Montana Association	21	18	3	36
Oklahoma City, Okla.	101	19	11	109
Omaha, Neb.	77	26	...	103
Oshkosh, Wis.	58	...	7	51

	June 1, 1917	Added	Resigned	June 1, 1918
Ottumwa, Iowa	...	37	...	37
Paducah, Ky.	20	...	...	20
Parkersburg, W. Va.	31	...	...	31
Peoria, Ill.	78	17	13	82
Philadelphia, Pa.	878	89	62	905
Pittsburgh, Pa.	802	310	66	1,046
Portland, Ore.	210	1	5	206
Providence, R. I.	186	12	1	197
Pueblo, Colo.	16	...	...	16
Quincy, Ill.	43	...	5	38
Reading, Pa.	28	...	...	28
Richmond, Va.	177	10	2	185
Roanoke, Va.	38	4	2	40
Rochester, N. Y.	287	14	29	272
Rockford, Ill.	48	4	1	51
Saginaw, Mich.	67	3	1	69
St. Joseph, Mo.	94	12	...	106
St. Louis, Mo.	705	387	83	1,009
St. Paul, Minn.	328	49	34	343
Salt Lake City, Utah	125	7	11	121
San Antonio, Texas	52	...	15	37
San Diego, Cal.	28	1	1	28
San Francisco, Cal.	275	34	36	273
Savannah, Ga.	66	...	...	66
Seattle, Wash.	317	79	55	341
Selma, Ala.	28	...	4	24
Sioux City, Iowa	100	1	17	84
Sioux Falls, S. D.	23	29	...	52
South Bend, Ind.	72	12	1	83
Spokane, Wash.	107	3	6	104
Springfield, Ill.	37	5	11	31
Springfield, Mass.	59	4	7	56
Syracuse, N. Y.	85	23	6	102
Tacoma, Wash.	86	12	7	91
Tampa, Fla.	30	...	...	30
Terre Haute, Ind.	...	40	...	40
Toledo, Ohio	229	49	23	255
Tulsa, Okla.	...	26	...	26
Utica, N. Y.	113	8	12	109
Waco, Texas	45	...	...	45
Washington, D. C.	93	3	6	90
Waterloo, Iowa	43	12	1	54
Wheeling, W. Va.	99	...	5	94
Wichita, Kans.	122	18	8	132
Wilkes-Barre, Pa.	41	...	2	39
Wilmington, N. C.	20	...	...	20
Worcester, Mass.	74	10	6	78
Youngstown, Ohio	124	32	2	154
Individual	1,062	56	176	942
	22,042	4,559	1,965	24,636

## Scale Showing the Growth of the Association

(Figures are given at the time of annual conventions.)

Year	Gain Over Previous Year	Total Membership	
		Year	Year
1896	600		
1897	1,591	991	
1898	2,332	741	
1899	2,539	207	
1900	3,006	467	
1901	3,572	568	
1902	4,004	432	
1903	4,554	550	
1904	5,327	773	
1905	6,061	734	
1906	7,509	1,448	
1907	8,647	1,138	
1908	9,791	1,144	
1909	11,185	1,394	
1910	12,796	1,611	
1911	14,424	1,628	
1912	15,845	1,421	
1913	17,145	1,300	
1914	18,497	1,352	
1915	19,284	787	
1916	20,780	1,496	
1917	22,137	1,357	
1918	24,036	2,499	

Read resolutions, which were adopted, and then report of committee was adopted as a whole.

J. E. O'NEIL, Oklahoma City—We will be soon called upon to witness the close of what has been, in my opinion, one of the greatest conventions ever held by our Association. We have been especially favored with delightful weather during the whole convention, this adding greatly to the pleasure and the comfort of the delegates. We have been privileged to listen to some splendid addresses on subjects of splendid interest to us as credit men. These addresses have been by men who gave their subjects close consideration and study and I feel that we are to return to our homes and associations inspired with the work to be carried on by the credit men of this country and initiated at this convention with a solemn purpose that we will have derived a great deal of good from the very fact that we were privileged to represent our local associations at this convention. I daresay that returning, as we will, inspired with the work that has been initiated at this convention, it will mean that we will return to our next annual convention abler, better and more efficient credit men.

But in the building up of a national organization, there is no feature so important to its life and existence as the building up of its membership and in looking around last year over the great field of its membership to select a chairman to head the National Membership Campaign, our president decided upon a man to take this responsible position—Robert J. Kane of Chicago. (Applause.)

And after the report just made by that loyal member, it is unnecessary to go into detail as to what he and his committee have accomplished. Indeed, if you stop to think for a moment what it means for a committee to add to membership of a national organization in twelve months in the number of twelve hundred members, you can readily appreciate the work that they have done. It is amazing work and has exceeded all former records by over nine hundred members.

In recognition of that splendid work and on behalf of the officers and members of the National Association of Credit Men it gives me great pleasure to present to Mr. Kane a little recognition of the splendid work he has done for our Association. (Applause and cheers.)

MR. KANE—The sentiment that you have expressed means more to me than all the presents in the world. I thank you. To tell you just how I feel is impossible. You know how I feel. (Applause.)

PRESIDENT WHITLOCK—The next subject on the program is the awarding of the Membership Trophy by Samuel Mayer, Jr., chairman of the Committee on Awards. (Applause.)

MR. MAYER—The only reason I can possibly assign for my appointment as chairman of this committee is that nobody cares a little bit what becomes of me. (Laughter.) I had intended reading the complete report of the committee in retaliation for the indignities that have been heaped upon me since my arrival in Chicago on Tuesday morning, but remembering the Biblical injunction (correct me if I did not get it right), "If thine enemy smite thee on the right cheek, turn to him the other also," I have recanted. It would have been too cruel.

According to the report of the Membership Committee there are just exactly 24,636 members and they had to pick me for this job.

I want to pay some little further tribute to the chairman of the membership Committee. Whatever we may say about Mr. Kane it would not be sufficient. There was not one of us who believed we would hold our own this year. Considering the conditions, the results that have been accomplished are surely phenomenal. Mr. Kane has been a tower of strength. The Association has leaned upon Mr. Kane during the past year and will want his support until he wears out.

Speaking seriously, the Committee on Awards has given this awarding of the trophy a great deal of thought and we had enunciated and promulgated rules and in addition to those the committee had to take various other circumstances into consideration. The members of the committee feel that they have been absolutely just and fair in their conclusions. We arrived at our decision through a process of elimination, not considering for various reasons

Indianapolis, Louisville, Chicago, Cleveland, Los Angeles as just recipients of this trophy. There is one little association that deserves special mention and that is Ft. Wayne. Ft. Wayne has made a remarkable record in increasing its membership from 31 to 125. (Applause.) But we could not, in justice to the older associations, consider Ft. Wayne, which association is only fifteen months old.

There remained, then, just one association which has, during



F. H. RANDEL  
Autocar Sales and Service Co., Philadelphia, Pa.  
Director

the past year, made a remarkable record—an old association which on the first of June, 1917, had a membership of 200 and at the close of the year had a net membership of 346, an increase in membership of 73 per cent. The committee weighed everything in connection with the award of this trophy and finally came to the conclusion that this association was entitled to the honor.

I therefore have the pleasure of introducing to you T. A.

Robinson, president of the Memphis Association of Credit men. (Applause.)

Mr. Robinson, I have the pleasure on behalf of the Association of handing to you and placing in your keeping this beautiful cup. I am sorry that I cannot give it to you. The Chicago association has given this cup with the understanding that it be passed down from year to year. I want to congratulate you and your association upon the splendid work which you have done. There is only one regret that I have and it is that I cannot go home with you and meet your proud fellow citizens, headed by the mayor and the marshal and the band and hear the band playing "See! The Conquering Hero Comes!" (Applause.)

MR. ROBINSON—This is, indeed, a happy occasion, but not such a wonderful surprise. Of course, we have been just a little bit anxious, the Memphis delegation, as to the outcome of this contest, but with the renewed energy that we set forth on June, 1917, and with the slogan, with reference to this silver cup, "It shall not pass." (Applause.) It is with that spirit, with that determination, that loyalty of the membership at that time that the result is as it is.

At the beginning of the contest we had 199 live wires besides myself, making the two hundred members at that time. All of these live wires ran into a Grand Central Station that we called service and by service and cooperation and congeniality and happy-hearted members we have won the trophy.

In accepting this beautiful trophy on behalf of the Memphis Association of Credit Men, I just want to tell you that I am not taking any credit for it at all. I give credit where credit properly belongs. We have a genial, happy-souled member in our association whom we style "Our Bob," and that is no one less than Bob Spicer. He was the chairman of our membership committee and it is through his untiring efforts and his constancy on the job and the treatment he gave the members and the various sub-committees that they stuck to the job and accomplished the result they did.

Silver cup, so beautifully and so often spoken of in divine history, emblematic of purity and as a reward for good deeds done, I look upon thee with deep appreciation. We shall take thee to Memphis, we shall fill thee with apples of gold as an indication of purity and of loyalty and of service to our association and to the National Association of Credit Men. I want to thank the Chicago convention and the awarding committee for this beautiful present; I want to thank the Chicago association, the reception committee and the entertainment committee here for their loyalty and hospitality. I want to express at this time the thought in the mind of every one—that this has been one of the most wonderful conventions that could possibly have been held at this time under these conditions.

It is well, indeed, that we have increased our membership. All our local associations had a purpose in mind, not merely for plurality of members, but for the pure and simple idea of getting more good-souled and happy-spirited and loyal and energetic members into the Association that would be factors in helping the United States government solve its problems under these present-day strenuous conditions.

Every local association can be a great factor in the distribution and sale of War Savings Stamps and Liberty Bonds and we can in a tactful way preach conservation and sacrifice. It is with this idea in view that we all have increased our membership.

In conclusion I want again to thank the awarding committee for the consideration that they have given us in this matter and in taking this trophy with us we want to promise the National Association that we will keep it pure and intact, shall preserve it; it shall be a traveling trophy but we hope that it shall remain in Memphis for a while yet. Our intention is to aspire to that end, but whenever another association puts it over the top, we shall be glad to deliver into their safe keeping, this beautiful cup.

I thank you. (Applause.)

Band plays "Dixie-land," audience singing.

**PRESIDENT WHITLOCK**—It is with particular pride that I announce the next speaker, for he is a leading Chicago man and strictly in the progressive "I-Will," class but not a native Chicagoan, for as a boy he came from the land of the thistle, Scott and Burns, where "Maxwelton's braes are bonny," and climbed up along the trail of advancement from bank messenger to bank president and is to-day a potent factor in national financial affairs. I have the honor to present David R. Forgan, president of the National City Bank of Chicago. (Applause.)

### "The Federal Reserve Bank in War Financing"

Address by DAVID R. FORGAN of Chicago, Ill.

*Mr. Chairman, Ladies and Gentlemen:*

When I was asked to address your Association a few weeks ago, it was to take a little time in explaining the position of the Federal Reserve Banks in the war financing.

You all know that we can do little in war or in anything else without money. We have three lines of defense in every nation—first, wisdom; second, might; third, money. We have failed in our wisdom by diplomatic means to keep this country out of the great world war and so we are up against our second line of defense, might. The might of the manhood of the nation! We have not failed in that. Already we have 800,000 men in France and another million training and straining to go there but that second line of defense is absolutely powerless if not supported by the third line—money—and we have not failed in that so far.

In one year, besides tremendous contributions to the Y. M. C. A. and the Red Cross and other things for the support of our fighting boys besides enormous taxes, we have put over three Liberty Loans amounting all told to about \$10,000,000,000. The greatest loan ever put out by this country before this war was \$198,000,000, at the time of the Spanish-American War. The greatest loan ever put out by the British Empire in all her wars before this war was \$3,000,000,000 and already, before we are hardly in the fight, we had subscribed and loaned to the United States Government \$10,000,000,000.

That has been done with little upsetting of financial matters.

In fact, it has gone so smoothly that I do not think any business man has been denied credit to which he was entitled on account of Government financing.

That is splendid because it is the duty of the bankers of this country to support all business at the same time that they are trying to help put over these great government loans. We must keep business up. Business is the goose that lays the golden egg and if we are to be able to go on absorbing loans, to go on paying enormous taxes, to go on making tremendous contributions to war philanthropy, then business must be kept up and generally speaking be better than ever it was in the history of the country. (Applause.)

Why have we been able to perform this task so easily? I answer promptly, because of the Federal Reserve Banking system. (Applause.) When the war broke out in Europe we were without it. We came near having one of our old-fashioned panics, although the war was three thousand miles away at that time. You know these panics that we used to have were a disgrace, a national disgrace to this country. We were always cut off sharply by our national borders. They never existed in Canada, they did not exist in Mexico, they only existed here in the greatest financial commercial nation on the face of the earth, and yet twice within my memory and oftener within an older man's memory we had general suspension on the part of the banks. Why? Simply because we had no system. When something happened it always happened in a big circle, something of national importance and the bankers got frightened and tried to get their reserves home because the law required them to keep their reserves just in the same way as I once heard of a hospital that had been left money to maintain an emergency bed. That bed was in the hospital for years but no one ever was put in it because the will of the testator said that it must be kept for an emergency.

The old law was that every bank had to keep just so much reserve in its own safe and so much in the center and it provided that you could not use that reserve. The law said that the moment a bank was under its reserve, then it had to stop loaning money, had to stop its function and so we had panic and suspension. We were just in the same position exactly as if all the inhabitants of the city, by city ordinance, were ordered to keep one bucket of water each for protection against fire and when fire did break out it was against the law to use that bucket of water—it must be kept. That was the exact position of the law of reserves in this great country up to the time of the establishment of the Federal Reserve System.

We went along like that for a long time when we had a panic and we did not think a system was necessary and when the panic was over we forgot all about it just as the servant girl said about the fellow—that when he was drunk she would not marry him and when he was sober he would not marry her.

But finally we did send a great national monetary delegation to go to the chief countries of Europe and find out why all of them, not nearly as rich as we were, not possessing anything like our resources, not having one-tenth of the gold coin that we had—how

it was that they could go along without panics leading to suspension and we could not.

Well, we came back and made the report. It takes fourteen volumes to hold that report, takes up an enormous space on the shelf of our library and I do not know a single man who ever read it! I have not—but I know what it contained chiefly. The Republicans made that report and did nothing more and the Democrats, all honor to them, put something over. I am not a Democrat but I want to give the Democratic Party and its great head, the present President, credit for having in time for this great emergency adopted the Federal Reserve Act. (Applause.) Of course, all that is any good in it was taken out of the Republican report. (Laughter.)

But anyway, they put it over and, thank God, we had it! We did not have it when the war broke out. We have it now and we had it in time before we got in ourselves. I often think that there is a divine providence that looks after this country for I tremble to think where we would have been to-day in trying to finance this great war and our great participation in it on a suspended banking system for that is exactly what we would have had. There is no power under heaven that could have kept the banks of the United States from general suspension when this war broke out if we had not had the Federal Reserve System.

You know how it used to be. Something terrible happened in the big center, some Scotchman running a great bank in Chicago disappeared or something else equally unheard of (Laughter) and the country banker immediately telegraphed for cash and in about a week he had taken half the cash there was in Chicago and half in New York and New York and Chicago could do nothing else but say, "Hold up! You can't get any more. We're not going to run this bank until we have no money left. You have taken half of it in a week. There is no use in sending any more telegrams, you cannot have the money." Suspension!

To-day how does it work? In the first place, the country banker does not get frightened to-day even if a Scotchman does run away. We went into this great war and not a country banker showed the slightest sign of alarm. The country banker to-day is in the same position as the man in the line when there is a run on the bank. You have seen them—a great crowd spreading out into the street, not one of these people want the money if they are sure they can get it. If you can satisfy any of them that he will get money when he reaches the teller's window, he will go home. He does not really want it. He only wants it because he is afraid he can not get it.

That is the exact position we all used to be in, but with a great federal system linking all the national banks and most of the large state banks in a unified whole, the country banker is no longer frightened. He knows he can get credit if he wants it.

Now, how does it work? In the first place, we banks in the center at one time had absolutely no place to which to go, no place where there could be any expansion of credit in the form of currency or in the form of credit on the books. You have to understand what a bank is, you have to understand the difference between money and credit before you can follow me in what I am about

to say. We talk so often of credit as the means by which you buy and buy and pay bye and bye that we forget what a wonderful thing it is, in addition to all of that.

We bankers talk about loaning our customers money. We do not loan them money. We loan them credit. Let us start a bank. You be my stockholder, I will be your manager. Do you suppose the money subscribed here and now \$100,000 capital—we will suppose that I have arranged with forty customers to give us their accounts and we are going to loan each one of them \$10,000 and we will suppose for the sake of argument that all forty of these men come in the first day the bank is open. Each one of them makes a note and I initial it and pass it along to his credit and we will suppose that is all the bank does the first day of its existence. What have we at the end of the day in the way of a statement?

ASSETS:	Cash on hand (untouched) .....	\$100,000
	Loans and Discounts .....	400,000
	Total.....	\$500,000
LIABILITIES:	Capital Paid in .....	\$100,000

Deposits .....	400,000
(less a bit of a rake-off the bank gets, but so small it is not worth counting.)	
Total.....	\$500,000

What have we? We have a bank and a good bank and we have not used a single dollar of money. We have a bank with \$400,000 of deposits. It is required to keep 13 per cent. legal reserve, and we have 25 per cent., \$100,000 of the original cash never touched. That is banking. That is credit transaction.

Of course, it is true that these loans and discounts are mere scraps of paper but these scraps of paper stand for all the property of the makers of the notes. They stand for the character and the honor of these makers and if I have been a banker well-selected by you stockholders, the bank is in sound condition because I had extended credit where credit was safely extended.

When the Government wants a tremendous loan, the Government does not want any money, nor does it take any money whatever to loan the United States Government three billions of dollars. Yes, there may be a little money dug up out of some old woman's teapot or taken out of some old lady's stocking, so small that it does not amount to anything. The transaction is a credit transaction.

The question is often asked, "Where does the money come from?" It does not come from anywhere, it is not a money transaction. There is just the same money in the country to-day as before the Third Liberty Loan, just as much in the banks, just as much everywhere. What the bank customer does on a small scale when he offers his note for \$1,000 to a bank and when the banker creates the deposit or credit out of it, the Government is doing on an enormous scale and it works this way.

You will notice that when anybody asks you for a subscription to a Liberty Loan, the first thing is to decide upon the bank you want to subscribe through. You name your bank. The bank gets

these subscriptions and they may amount to several million dollars, and when the bank is ready to pay the subscriptions what does it do? It gives the government credit—mere figures on a ledger. That is all bank deposits are, nothing more or less than figures on a ledger, a mere memorandum of what you would stand to lose if the bank should bust.

When we have our subscriptions all ready, we say to the Federal Reserve Bank, "We have three million dollars." "All right," the Federal Reserve Bank says, "credit us, the Federal Reserve Bank of Chicago, as agents for the United States Government." We do it. Still no money passes. And the Government is beginning gradually to draw on these credits when it wants them, but it draws by check and these checks go somewhere else so there is a changing around of credits and it is all clear without the use of any money whatever, practically.

All this is made possible by the Federal Reserve System. To-day we have a place where we can go, we bankers, if we need credit. We are ordered to keep all our reserves in the Federal Reserve Bank and what we keep in the bank now is mere till money. Suppose my bank is a little bit short to-day. We have had a debit of a million dollars at a clearing-house and I want that million dollars, I am a million dollars short in my reserve. Before the adoption of the Federal Reserve System I had absolutely nowhere to go. All I could do was to hope that things would turn around and go on and break the law, go on doing business and wait until things righted themselves if they ever did.

To-day what do I do? I take a million dollars worth of good commercial paper, your notes, you in business and I send them over to the Federal Reserve Bank, down the street a little way. That bank discounts them and makes figures on the ledger. It credits my bank with one million dollars and that immediately is counted as reserve, and my reserves are made good.

Suppose I want cash. Suppose my trouble is not a million dollars debit at the clearing house but a big crowd in the office wanting cash. Then what do I do? I telephone over to the Federal Reserve Bank, "Send me over a million dollars cash." But what is that cash? That cash is not gold, that cash is not reserve money, but the Federal Reserve Bank's notes, the Federal Reserve Bank's promises—to—pay, and all it does is to charge my account with one million dollars and credit the circulation account one million dollars. The Federal Reserve Bank now owes one million dollars less to my bank and one million dollars more to the general public. It has simply made figures on a ledger.

Of course, that cannot be done without a solid foundation, a substantial reserve of gold coin, which is the only real money in the world. Even paper money is credit. Where do we stand on that? To-day the Federal Reserve Bank has almost two thousand millions of gold coin, many times as much as that held by any other banking system in the world. In fact, this country with all that gold and what it has in addition to-day holds in its hands over one-third of all the gold coin and gold bullion in existence in the world. There you have your foundation. The law says that the Federal Reserve Bank can issue these notes or give these credits so long as its cash

reserve is 40 per cent. From that down to 33 per cent. it has to pay a little graduating tax.

Where are we to-day after our twenty thousand millions of dollars of Government loans are taken care of? We still have over 60 per cent. legal reserves in the Federal Banks against all liabilities. We have a long way to go yet. When this war broke out there was not a financier alive who thought it could be carried on, on the scale it is being carried on for over a year at the very most, but here we are in the fourth year of the war and I am sorry to say that even Germany, our enemy, shows little signs so far of having to give in on account of financial exhaustion.

The worst country in that respect is Austria. I think it is pretty near the end of its tether because you all know this thing which I am describing is so easy, it is always so easy so long as there is plenty behind the credit, plenty of credit, plenty of character. A Liberty Loan Bond is only a piece of paper, it only costs the Government the printer's or engraver's bill but it stands for all the taxable property in this country. It stands for the credit and honor of the American people and it is the safest investment that has ever been offered in the history of the world. (Applause.)

From what I have said I would like you to carry away this idea, that while we must inflate (if you want to use that word) or expand our credit in carrying on such a great war as we are now engaged in, we are a long, long way from any danger point in this country and we can go on indefinitely being the chief banker of the Allies. We are not going to fail in this war for lack of financial resources because we have the system that makes the tremendous natural resources of this country available. (Applause.)

Now, I would not stand here to-day and make this business speech except for one reason. Nothing counts to-day but the winning of the war (applause) and if I did not know that the Federal Reserve System is going to be a great factor in America's winning of the war, I would not waste my time or yours in discussing it for five minutes. There is nothing which counts to-day except that one thing. We must subordinate everything to the winning of the war. We must show the same spirit that the countries already in it have shown. We should show a spirit of sacrifice, if necessary. We have not had to sacrifice much yet, but we must show that spirit. It is coming, it is close to us now when we begin to sacrifice what is dearer to us than any money, any property—our boys.

We are going to be up against that, but let us, above all things, not get into a fit of the blues. We will do our boys no good at the front by sitting down like whipped curs and crying. They do not cry when they are wounded; they do not cry when they meet death. Let us back up their spirit by a cheerful, courageous spirit, a spirit that must be shown if we are to succeed in the great task that lies before us of destroying the spirit of autocracy, conquest and oppression and establishing on lasting foundations the spirit of self-government, justice and liberty. (Applause from audience standing.)

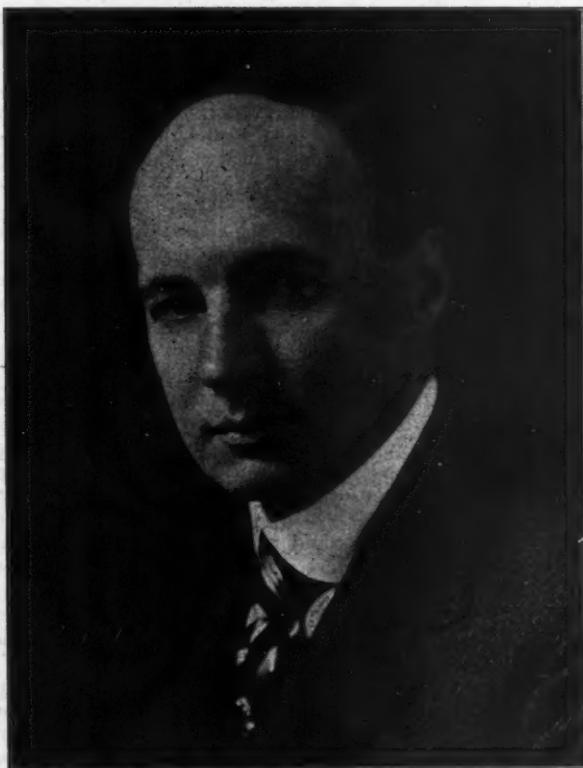
PRESIDENT WHITLOCK—The chair recognizes Allen D. Albert who will address us for ten minutes.

**"Looking Out for Our Men of the Army and Navy"**

Address by ALLEN D. ALBERT of Chicago

*Gentlemen of the Association and Guests:*

Mr. Forgan says nothing counts that does not contribute directly to the winning of the war. My purpose is to tell you most briefly why we are winning the war and why America is making the largest and most potent contribution toward the winning of the war.



W. HOWARD MATTHAI

National Enameling and Stamping Co., Baltimore, Md.  
Director

When we sent the first hundred thousand men overseas we began the largest military undertaking in history, for the United States is the only country in all the story of war that has ever sent 750,000 men across an ocean for any purpose. Every man we send over is four times expensive. He represents an outlay, first in berth space, and never before in the history was berth space

quite so precious as in the year 1918; he represents second, an outlay in cargo space for his subsistence; third, an outlay in time, for every man lost in physical effectiveness overseas is lost for a full month before we can get another over to take his place; but most important of all, he represents a definite expenditure in the most precious commodity this nation ever possibly can possess—her own youth, and the Government calculated with a great deal of shrewd and insistent reasoning that the normal pressure upon Government to preserve its young men sent to war was therefore multiplied by four in our case.

The message that I bear to you is this, that of every thousand men, German efficiency puts into the field for actual fighting somewhat less than 750; that of every thousand men, Japan with superior efficiency puts into the field somewhat less than 820. We are a sentimental people, an impractical people; we are known on the one hand as foolish idealists and on the other hand as Yankee pigs, yet within a year this Government has matched the best record Germany ever made by putting 750 men in the field out of every thousand.

Then she has gone forward and matched Japan's remarkable record in her war with Russia by putting 820 men out of every thousand into the field. Then she has gone forward into a record of her own in the first seven months by putting 900 out of every thousand men into the field and to-day, now that we have been in the war thirteen months, she has effective out of each one thousand, 942 men ready for fighting. (Applause.)

This has not been achieved by accident or happy concourse of circumstance or good fortune. It is the product and the reward of a definite endeavor in effectiveness, founded upon the highest claim of moral purpose. The Government of the United States in training the army of the first draft set about to do a thing altogether new in war. It was to provide the young men of the army with a balanced day, a day which would contain a sufficient amount of work, for always they are fighters, nothing must interfere with that, always their sole and major and intent purpose is to beat the Kaiser. Their work is hard work, work so hard that the average young boy of the American army is undergoing a new experience in that field alone.

With that, however, the Government did this interesting thing: It provided that his day must include a given amount of growth. Ours is the only army which is a continuing school. We inherited out of the first draft about 65,000 men who could not read or write a single sentence in any language. Every single one of them has gone to school and every single one of them without an exception, who has been in the army seven months, is competent this day to read and write. (Applause.)

We inherited about 75,000 men who could not speak any save the commonest street phrases of the language of the country for whose flag they were to fight. I think of one company in which there were no men to speak English at all apparently and the captain as he went down the line said, "Can you speak English?" "No."

"Can you speak English?" "No."

"Can you speak English?" "Uh-huh" "All right, you're a corporal." (Laughter.)

After a while he encountered a young boy from a high school. "Can you speak English?" "Yes, sir." "Oh, you're a sergeant."

Every single one of those boys has been sent to school to learn English. In one tent we had two who could not read and write, two who could not speak English and then the son of a superintendent of schools and a young man just graduated from a theological seminary. There is the army of the United States! And when with work and toil the program had been builded up the Government added to that recreation, for we are teaching two millions of American boys how to play. You do not know anything about play, no men in all the world really know play because our understanding of play is to defeat somebody in a game.

The better and finer and more modern and more thoroughly American understanding of play is to play with somebody and not against him. (Applause.) They run races, one company against another and that company wins which gets the greatest number of men over a line before the bugle blows. Nothing could be more pregnant with significance for the America of to-morrow than this, that the faster runners in each company wait back to help, along the boys who cannot run so swiftly. Does that foretell something to you of a larger social understanding when the army comes back?

Then at night we send them to the Y. M. C. A. shacks, into the buildings of the Knights of Columbus, into hostess houses to meet their families. We give them entertainments in the theatres, we turn them into bed (and the mothers will rejoice in this) so thoroughly tired out that they do not know whether they have any pillows or not and all that, complete as it seems—work, play, recreation and an environment not unfavorable to their spiritual development, did not prove to be quite enough for there was a lack, a lack these boys were quick to make manifest. The thing they wanted is illustrated in a story out of my experience in the war with Spain as a correspondent.

A young boy was dreadfully hurt by the falling of a tree. With every breath he would wince. The tree had crushed most of the ribs on the left side, there was only one woman nurse in the hospital and she was assigned to his case because it seemed so dreadfully painful. The correspondents agreed to watch my string, as the phrase is, while I should go and learn how he got along. As we talked together I found myself saying, "Gee whiz, old scout! I'm mighty sorry it hurts so to breathe."

"Hurts—hurts—to breathe—did you see her?" (Laughter.)

One of our flying schools abroad publishes a little paper called "Flying Leaves." The very first item in it in the last issue was this: "Do not think you're the only cadet that wants to talk to Miss Waite at Headquarters."

In the train a Yankee told me that he was very anxious to know when we would reach Greensburg, Ind., because he was going to meet his sister there. I said, "Sister? Gee whiz; boys have changed since I was your age!"

"Well," he said, "my sister is going to be there, too." (Laughter.) We got out of the train and I waited to see his reception.

He stood beside her and his sister threw up her arms and put them around his neck. He was a little embarrassed and then she introduced him to her young man and then he turned to the fluffiest thing that I've seen since I was twenty-one.

What does it all mean? It means the other thing that was needed was that the soldier should have the beautiful normalities of his life kept normal and when we sent him to the Reserve Officers' Training Corps or to the Great Lakes Naval Training Station or to any of the hundred and ten cantonments we should not shut out of his life the good women of America. Heretofore he has been legitimate prey for all the harpies of every nation in the world. Yours is the first country and this is the first army for whom the good women have been willing to hold out their hands in formal and beautiful welcome and for whose boys they have been willing to throw open the doors of their homes. (Applause.)

The result is most interesting. Out of some thirty thousand boys at the Great Lakes Station, the city of Chicago setting the rest of the nation a beautiful example entertained this past week considerably more than five thousand. In other words, every boy who has volunteered to serve in the navy of the United States and has been assigned to this camp, enters the city as the guest of its good women and goes to the homes of its good people and renews there his center of definite and clear and unfailing support for the army and navy on the part of the typical American family.

Now, does it pay? We have had two illustrations of how it pays. The first is that in France the need of entertaining the soldiers in homes has become so manifest that we have borrowed from France four cities. Boys have leave of absence from camp to these cities. Everything in them is French. The only thing that has been changed at all is the police power which is purely American and just between ourselves, if you ask the average boy the job he wants first of all, he will tell you it is to shoot the nose off of the Crown Prince and make him look like a human being, but if you ask him the second, it is to be a traffic cop in one of these four towns.

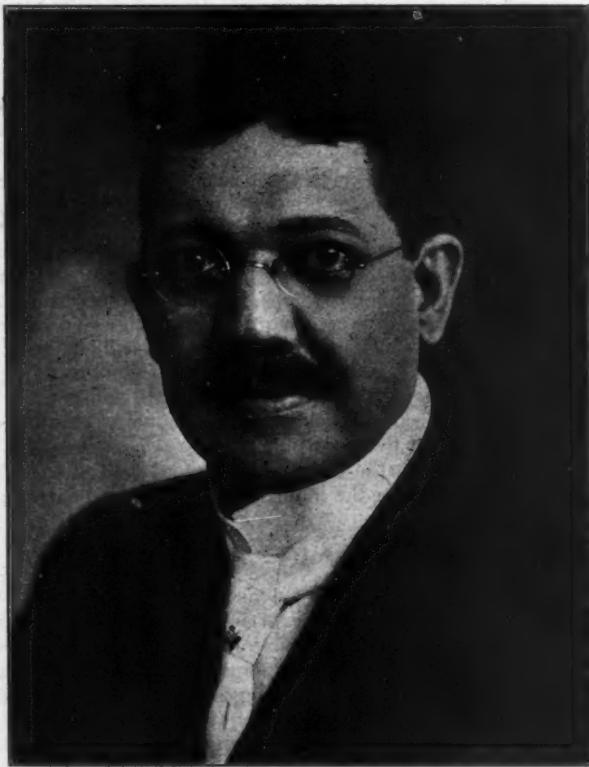
They go into these cities and are there entertained in the homes of French people. Thousands upon thousands of kodak pictures are coming back portraying them playing with French children and they go back to their camps refreshed and re-enforced and re-inspired by their contact with the type of home for which America has gone into the war.

In this country we entertain them in every city near every cantonment. The work is that of the War Camp Community Service. The purpose in putting me on this program is that you who have near relatives in the war may have the reassurance that comes out of knowledge that such hospitality is extended to them. The fruit of it? Here it is:

Of all the causes of physical ineffectiveness in the Kaiser's army, the three diseases of shame outweigh the whole sum of the others. That is true of every army in the world but one. Of the first half million men sent to France we might easily enough have expected the contamination of from twenty to thirty-five boys out of each hundred. I want you to know that to-day among Pershing's

Crusaders among the first half million men, though provisions were made to treat ten thousand, we have under treatment a few less than one boy to the thousand! (Applause and cheers, long continued.)

Washington said that the red in the flag stood for the blood of sacrifice and the blue in the flag stood for the canopy of heaven which revealed God's favor for government by the people and the white represented the purity of motive. Is it not something to



W. P. SIMPSON  
C. T. Patterson Co., New Orleans, La.  
Director

be alive in a day when our army has set for all the world a new example in its boys of pureness of life? Is it not much as though the great God, the Father of us all, had looked down from the heavens and said, "Here is my banner?" And as though we of America had answered Him not proudly but humbly, "Here, Lord, our hands clean and fit to carry it?" (Long-continued applause and cheers.)

SECRETARY TREGOE—I think we ought to explain that Mr. Albert came to us as the representative of that great national service, the Camp Community Service. We did not announce his official title, but he represents the national organization and we were glad indeed to give him a hearing, and if the request had come earlier, I think you would all have agreed that we would have been delighted to have allowed him much more time. (Applause.)

Secretary Tregoe here in behalf of the Committee on Resolutions offered the following, all of which were adopted without dissenting vote:

## I

*Whereas*, The extraordinary conditions under which business is being conducted have already added heavily to our responsibilities and

*Whereas*, There will certainly perhaps frequently arise unheralded problems demanding our instant attention and participation and because there must be more effective and fitting methods and means than we have previously found sufficient; be it

*Resolved*, That there be established promptly at the City of Washington a bureau under the supervision of a salaried assistant, one trained in the science of credits preferably, who may accept the co-operation of capable volunteers, all of whom will be under the direct charge of the National office, and who will keep in close touch with the questions that affect our interests and those of the Nation, and who will report quickly to the National office and secure therefrom direction for the needful activities.

*Resolved Also*, That the Board of Directors shall at once formulate plans and policies for the immediate and effectual carrying out of this undertaking.

## II

As one of the leading national associations of business men and bankers, which shared in the preliminary efforts resulting in the passage of the Federal Reserve Act, and an association that has worked unceasingly to bring about a better understanding among business men of its underlying principles, we cannot but express our deep sense of gratification in the wise counsel and far-seeing statesmanship which has safely guided the Federal Reserve system through financial perils which have imposed one problem upon another, but which have been met as they have arisen in a manner to win the confidence and admiration of all.

The Nation cannot be too appreciative of the Federal Reserve Act, and the system that has been built upon it, a banking system, indeed, that has been declared the greatest and soundest in the world to-day. Upon it rests the hope of democracy for it is inconceivable how the country could have met our vast financial requirements and those of our Allies, had it not been for the Federal Reserve System.

The Association, therefore, takes this opportunity, while assembled in convention, to give expression, inadequate though it be, to its feelings of sincere regard for and confidence in the Federal

Reserve Board, whose members are, as we believe, performing inestimable service for the cause for which we are fighting.

We ask that a copy of this minute be sent to the Governor of the Board and each member thereof.

### III

*Whereas*, It is of the utmost importance at this critical juncture in our financial affairs, that we make full use of every legitimate credit instrument, and

*Whereas*, in the inevitable expansion of credits, incident to the growing demands of war, it is of the utmost importance that we create not only credit instruments, that are eligible for rediscount at the Federal Reserve Bank, but instruments of the widest marketability, qualities which, as leading financial authorities state, are present in highest degree in acceptances, be it

*Resolved*, that the National Association of Credit Men continue to exert its powers to bring about a better understanding of the trade acceptance and to advise so far as may be its use in the various lines of trade as contemplated in the Federal Reserve Act as interpreted by the Federal Reserve Board.

*Resolved*, that this convention give its cordial approval to the officers and directors of the association in joining in the action which resulted in the formation of the American Trade Acceptance Council, believing that through the cooperation of the large national organizations representative of every phase of business, comprised within the council, the strongest possible influence is being placed behind the movement to substitute the acceptance for the open account.

### IV

*Resolved*, That we express our appreciation to those who, by addressing these convention sessions, have inspired us to reach toward higher standards, broadened our thinking on important business questions and given us new angles of vision in the problems they have discussed; and that it will be a pleasure to make these addresses a part of the records of this convention.

### V

*Resolved*, That we here make record of our appreciation of the splendid devotion of the officers, directors and committee members who served the Association so earnestly and successfully during the year just closed, making it possible to refer to the year as surpassing all records in the character of the service rendered not only to the members of this Association by the public in general.

### VI

*Resolved*, That the National Association of Credit Men give full recognition to the power of the press, in giving business men and the public in general correct information, and true estimates,

upon the important questions the Association is interested in; and especial appreciation is expressed to the papers of Chicago for the well considered publicity given to this convention; again the association has taken note of the excellent cooperation and publicity given to the activities of this Convention by the Chicago Association of Commerce, and here expresses its cordial appreciation to that splendid organization.

## VII

*Resolved*, That special recognition is due from the National Association of Credit Men to the Daily News Record of New York, for the attention it gives throughout the year to the work of the association and its members and for the generous space assigned in its columns to credit topics and notably during the past year to enlightening and fair-minded discussions of the Trade Acceptance and its adaptability particularly to the textile trades.

## VIII

The National Association of Credit Men desires here and now to convey to the Chicago Association of Credit Men and to the women of Chicago their deep sense of appreciation of the hard work performed by Chicago men and women and particularly by the officers, directors and committee men of the Chicago association in arranging the details of this convention. They have made the stay of every delegate in this great middle west metropolis not only a source of pleasure, but also of profit.

The convention expresses its cordial thanks that the Chicago members responded with so great readiness and alacrity to the suggestion that our war convention be transferred to their city.

## IX

*Whereas*, in the exigencies of war conditions it was found desirable to change the place of meeting of this convention from Dallas to Chicago, and

*Whereas*, The Dallas association after the expenditure of great effort and the gathering in of no considerable amount of money for perfecting its entertainment program most generally and gracefully relinquished its claim, be it

*Resolved*, That this convention express to the members of the Dallas association and all associated with them in extending hospitality of their city to the National Association its very sincere and grateful appreciation of the loyal and patriotic spirit which prompted their generous action.

## X

In times of national stress and peril, when sympathy, sacrifice, understanding and kind hearts are needed more than at any other time, the manhood of America turns to the womanhood of America for that helpful co-operation, noble inspiration and tender thought, which have never failed to be forthcoming.

The National Association of Credit Men wishes formally at this time to express its heartfelt recognition of the sacrifice entailed by the mothers of America, by the sisters, wives and sweethearts of the men of the nation, in cheerfully giving to the cause of the nation the men of the country; in doing more, in leading in works of charity and help, in personally going, by the thousands, across the seas to nurse the sick and the wounded, and to bring to stricken Europe the sympathies and the courage of American womanhood, even unto the battle field itself, where with courage unprecedented, hundreds of American women have taken their places by the side of the men, and some have even fallen victims to German frightfulness. To the women of America, particularly to the women relatives of members of this association who have and will continue to sacrifice themselves for the cause of liberty, justice, truth and honor, this association feels indebted to an extent which words fail to express.

Of equal importance with the purely patriotic effort of the women of America and of equal consequence in forwarding the successful prosecution of the war has been the splendid response of our American women to the call of industry. In the industrial field American women have proved their aptitude and their capacity to fill the ranks made vacant by the call to the men of the Nation to take up arms, and to meet the ever-increasing needs of industrial production entailed by the Conflict. American women have been prompt to volunteer for tasks unaccustomed, irksome, laborious and even dangerous in order that our men might be made available for military service without clogging the wheels of industrial machinery.

SECRETARY TREGOE—Before we proceed to the election of officers there is just one item of unfinished business, the report of the Committee on Commercial Arbitration. Will Mr. Hardy come forward and tell us what he wants to do with the report?

MR. HARDY—The program is filled with other things and as the report is printed, I would suggest that all the members that have not read it do so. I would like to have the secretary read the resolutions so as to have the report backed up by the Association.

### **Report of Committee on Commercial Arbitration**

*To the Officers and Members of the National Association of Credit Men:*

**GENTLEMEN:**

Since our last convention energetic work by the Chicago Association of Credit Men has resulted in a revised arbitration act being passed by the Illinois legislature, taking effect July 1, last. This law is so simple but comprehensive that we attach a copy of the act to this report that it may be available for permanent reference.

One of the outstanding features of this law is that, if there is a disagreement as to the law involved, the arbitrator will refer the disputed point to the court (in Chicago to the Municipal Court)

for immediate determination, and will be guided by the court's ruling and then proceed with the arbitration.

Chief Justice Olson of the Municipal Court of Chicago, presiding over a court consisting of thirty-one judges, has given enthusiastic and substantial support to the efforts of the Chicago Association of Credit Men. Realizing thoroughly that a vast amount of litigation which now congests his dockets can and should be settled by arbitration, his honor, as president of the American Judicature Society, donated the valuable services of Samuel Rosenbaum, who had made a special study in London of the English arbitration system, which by compulsory arbitration clauses in nearly all forms of contracts eliminates from the English courts a vast mass of business disputes.

After the new arbitration act was passed in Illinois the Chicago Credit Men's Association felt the time had arrived to form a broader organization which would include as many trade organizations as possible and thus create a wider interest in the subject as rapidly as possible. Judge Olson again rendered invaluable service by sending an invitation to about one hundred trade organizations to have their representatives attend a meeting in his courtroom "to take such action as seems advisable to induce commercial houses to adopt arbitration in commercial disputes."

As a result of this meeting, which was attended by representatives of some seventy commercial associations and business houses, a committee was appointed, known as the "Central Committee to Promote Commercial Arbitration," of which Chief Justice Olson is chairman, with a competent attorney, A. E. Adelman, as secretary, to handle the work, and nine committee members. A circular letter was then sent by this committee to about ninety trade organizations, inviting them to pass a resolution embodied therein, endorsing commercial arbitration, and to appoint a committee upon arbitration; to forward the names of the members of said committee to the secretary of the central committee, who would then send them literature for distribution and model forms of arbitration rules and submissions to arbitration.

To date six organizations have passed said resolution, appointed their arbitration committees and have circularized their membership with the circular entitled "Mr. Business Man," copies of which have also been distributed to this convention. (Other copies may be had upon request.) Eight other associations have promised to submit the resolution to the next meetings of their boards of directors or at their next convention.

Also, this central committee interested a daily paper to the extent that it published several articles on the subject submitted by prominent credit men.

And the American Judicature Society issued a valuable and comprehensive "Bulletin XII" entitled "A Report on Commercial Arbitration in England." Copies may be obtained by addressing the society at their office, 31 West Lake Street, Chicago, Ill.

J. Kent Greene, assistant to chief Justice Olson, desiring to make a practical study of the advantages and disadvantages of commercial arbitration and ascertain what special problems of law may

arise under the statute recently enacted, has served as arbitrator in a number of cases in the Municipal Court.

He reports several distinct advantages over court procedure. One great advantage is that no time is lost in settling the issues to be tried. Again, he has ordered as arbitrator that parties settle at once matters to which there is practically no dispute. For example: in a building contract where work performed was slightly defective, he has ordered that the defective material be removed and replaced with other material that was in accordance with contract. Before a court the procedure would be to call experts and determine whether the work was substantially in accordance with the contract, and if not in accord, inquire what deductions should be allowed, both of which questions open a wide field for argument, delay, expense and ill-feeling. The courts have no power to order the parties to perform work, but can only award damages.

Attached to this report is a sample of the printed form prepared by the Municipal Court of Chicago and entitled "Submission to Arbitration." Also "Arbitration Rules and Regulations" of the central committee to promote commercial arbitration. A copy of these rules should be secured by every association interested.

We have submitted these various details for the express purpose of suggesting practical steps which should be of value to other associations interested, and further information and literature will be gladly supplied upon request to the National office. The Legislative Committee of the Chicago association will be glad to explain in detail the steps they took to bring about the passage of the arbitration act in Illinois.

The chairman of this, our present committee, recently sent a questionnaire to the secretary of each local credit men's association as follows:

- "1. Have you a commercial arbitration committee?
- "2. Has it been active this year?
- "3. Have any disputes been referred to arbitration?
- "4. With what results?"

One hundred and thirty questionnaires were sent out, and at this date, May 21, replies have been received from eighty associations, of which only the following report any active interest in the subject:

Detroit reports several meetings on the subject, but plans not yet matured.

Cincinnati has a standing commercial arbitration committee, operating in accordance with rules modeled on the arbitration rules of the United States Chamber of Commerce, but for the reason that their local Chamber of Commerce has been active along similar lines, the Credit Men's Association has worked through them and reports no activity in their own committee.

Fond du Lac reports no committee, but that their board of

directors appoints an arbitrator from their members when such services are required and they report some successful work along these lines.

Minneapolis reports their bureau of arbitration just about ready to commence doing business and believes they have a foundation that will result in a permanent court of arbitration.

San Diego writes that a committee on commercial arbitration is appointed when occasion arises, but that there was no demand during the past year for such a committee as no disputes were submitted.

Des Moines has a committee styled "Bankruptcy and Commercial Arbitration Committee," but they have handled no arbitrations in the past year, their efforts having been directed toward bankruptcy matters and insolvent estates. They strike the root of the whole matter when they remark that their association has not been educated to, and therefore, has not felt the need of commercial arbitration, but they feel that when its benefits are realized, it will come into more general use.

Notwithstanding such seeming lack of interest throughout the Association, your committee feels that a decided advance has been made during the past year, first by having a model law passed in Illinois, and second by the forming of an organization in Chicago, which is taking practical steps to awaken interest in the subject.

Your committee offers the following resolutions:

### I

*Resolved*, by the National Association of Credit Men that the principle of commercial arbitration is not only sensible and practical but if applied in practice would serve a patriotic duty in the conservation of much time and money now spent in litigation.

### II

*Resolved*, that members of this Association are urged to interest themselves, through their local associations, in acquiring and disseminating information on the subject of commercial arbitration; in setting up the necessary machinery to handle arbitrations; and to demonstrate, by submitting cases to arbitration, the superiority over litigation of this method of settling disputes out of court in a quick, economical and friendly manner.

### III

*Resolved*, that the work now being done by the Central Committee of Chicago to promote commercial arbitration and gain a foothold for the principle of commercial arbitration is hereby cordially endorsed.

Respectfully submitted,

HENRY W. HARDY,  
Chairman.

Chicago, May 21, 1918.

REPORT OF COMMITTEE ON COMMERCIAL ARBITRATION 793

THE MUNICIPAL COURT

Submission to Arbitration

STATE OF ILLINOIS, { ss. In The Municipal Court of Chicago.  
CITY OF CHICAGO

and } Submission to Arbitration. No.....

WHEREAS, a controversy exists between....., and....., parties to this instrument, which briefly stated is as follows:

NOW, THEREFORE, this agreement, made this.....day of....., A. D. 191..., by and between.....and.....

WITNESSETH: That the parties hereto submit the above mentioned controversy to arbitration, and to that end they appoint arbitrator as follows: .....

Said arbitrator shall, after having taken the oath as arbitrator in the form attached to this instrument, proceed with all convenient speed to hear the allegations, evidence and arguments of the respective parties hereto. Said arbitrator shall conduct proceedings in all things pursuant to the laws of the State of Illinois and the practice of The Municipal Court of Chicago, Rule 22 of said court being hereby, by reference, included in this submission and made a part hereof.

It is further agreed that this instrument of submission to arbitration may be filed in The Municipal Court of Chicago either by the arbitrator of his own motion or by one of the parties to this instrument, notice thereof being given to all parties to this submission and to said arbitrator, and such filing in said Municipal Court of Chicago shall be deemed a filing with the written consent of the parties to this submission in accordance with law and the practice of said court, and the court shall thereupon take jurisdiction of the parties and subject-matter of this submission without written pleadings, in accordance with the practice of said court.

It is further agreed that a judgment or successive judgments of said Municipal Court shall be rendered upon any award or awards made pursuant to this submission.

It is further agreed that the compensation of said arbitrator shall be as follows:

Said compensation shall be taxed as costs and made a part of said judgment in favor of the successful party and against the unsuccessful party.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals the day and year first above written.

.....(Seal)

.....(Seal)

(Corporations must attach their corporate seals)

OATH OF ARBITRATOR

STATE OF ILLINOIS, { ss.  
COUNTY OF COOK, { ss.  
CITY OF CHICAGO.

I....., who have been appointed arbitrator by the above instrument of submission to arbitration, being duly sworn on oath say that I will faithfully and fairly hear, examine and determine the cause and controversy mentioned in the foregoing instrument of submission to arbitration, according to the principles of equity and justice, and make a just and true award according to the best of my understanding.

Subscribed and Sworn to before me this.....day of....., A. D., 191.....

**RULE 22** of The Municipal Court of Chicago made a part of this submission. "Upon the filing in this court of any instrument of submission to arbitration of any controversy existing between the parties thereto, with the written consent of the parties to such filing, the court shall take jurisdiction of the parties and subject-matter of such submission without the filing of any praecipe, statement of claim, statement of set-off, affidavit of claim, answer, affidavit of merits or other pleading. From time to time during the pendency of such suit, either before or after award, any party or arbitrator may submit to the court any matter of law arising in the proceedings before the arbitrators or on the award, and the court shall thereupon give such directions or enter such order affecting matters of law as shall appear to be in accordance with law."

**LAW OF 1917 ON ARBITRATION AND AWARDS.** The Arbitration and Awards Act of 1917 is stated below in abstract form, except where quotation marks show exact copies of the law:

Sec. 1. One or more arbitrators may be appointed to hear any existing controversy.

Sec. 2. Contract of submission may designate the number of arbitrators, one or more, as the parties shall agree, the manner in which they may be appointed and vacancies filled, the time and place of hearing and rules for the hearing of the controversy. "The parties to such submission may include by reference in said written submission the published rules of any organization or association, which rules shall thereby become a part of the contract of submission."

Sec. 3. "A submission to arbitration shall, unless a contrary intention is expressed therein, be irrevocable."

Sec. 4. Arbitrators to administer oaths, subpoena witnesses, subpoenas to be served by officer or other person.

Sec. 5. May take depositions.

Sec. 6. "The arbitrators may, of their own motion and shall by request of a party:

(a) At any stage of the proceedings submit any question of law arising in the course of the reference for the opinion of the court stating the facts upon which the question arises and such opinion when given shall bind the arbitrators in the making of their award.

(b) State their final award as to the whole or a part of the reference in the form of a conclusion of fact for the opinion of the court on the questions of law arising and such opinion shall finally conclude the proceeding, except as by this Act otherwise provided."

Sec. 7. "The award of the arbitrators, or a majority of them, shall be drawn up in writing and signed by the arbitrators or a majority of them; the award shall definitely deal with all matters of difference in the submission requiring settlement, but the arbitrators may, in their discretion, make a partial award or awards, which shall be enforceable in the same manner as the final award; upon the making of such award, the arbitrators shall deliver a true copy thereof to each of the parties thereto without delay."

Sec. 8. Award may be filed in court within one year.

Sec. 9. "The party filing such award may, be giving ten days' notice of his intention to the opposite party, and if no legal exceptions are taken to such award, have judgment thereon, as on the verdict of a jury; upon any legal exceptions taken, the findings of fact by the arbitrators shall be conclusive; successive judgments in the same case may be entered on successive awards of the arbitrators on the subject matter of the submission together with the costs of arbitration and the court, and execution may issue as in other cases."

Sec. 10. Court may compel performance of award.

Sec. 11. Award may be set aside for error in law or for fraud, corruption or other undue means, or because arbitrators misbehaved.

Sec. 12. Award may be modified or corrected if award is upon matters not submitted.

Sec. 13. Applications to set aside must be made before final judgment.

Sec. 14. Writs of error and appeals may be taken from any decision of the court on questions of law as in other cases.

Sec. 15. "The parties may, in the submission, agree upon the amount of compensation to be paid to the arbitrators and the terms of the payment of the same; unless so agreed, each arbitrator shall be allowed, for every day's attendance to the business of his appointment \$3.00, to be paid in the first instance by the party in whose favor the award shall be made, but to be recovered of the other party with the other costs of suits, if the award or final decision shall entitle the prevailing party to recover costs. Sheriffs, Constables, the Bailiff of The Municipal Court of Chicago, clerks and justices of the peace shall be entitled to the same fees for services performed in relation to any arbitration, as shall be allowed by law for the like services in their respective courts."

Sec. 16. Court may compel arbitrators to proceed to hearing and make report without unnecessary delay.

Sec. 17. The word "court" used in the Act means the court named in the submission or if no court be named, any court having jurisdiction.

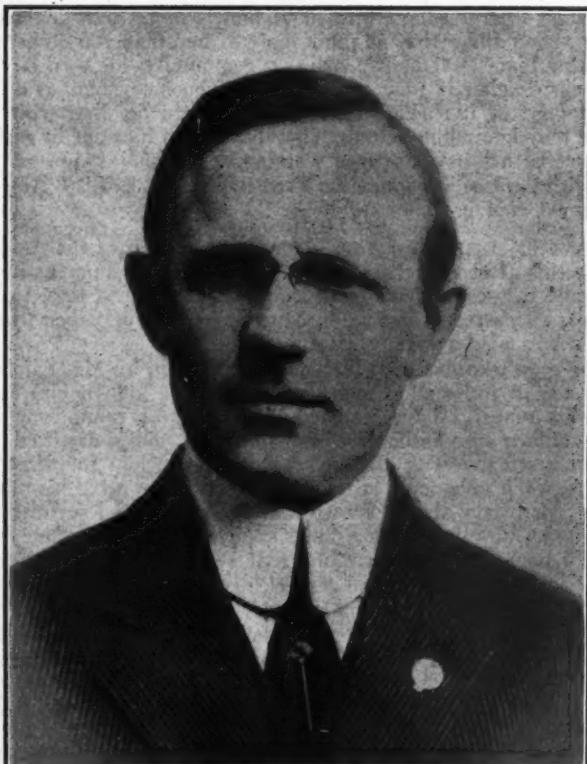
"Submission" means a written agreement to submit differences to arbitration, whether such differences be in whole or in part in suit or not in suit."

Sec. 18. Old Arbitration act repealed.

(Secretary read resolutions, which were adopted; the report as a whole was then adopted.)

PRESIDENT WHITLOCK—The next in order is the making of nominations for the election of president and vice-president. The chair recognizes Fred R. Salisbury of Minneapolis. (Applause.)

MR. SALISBURY—We have reached a point in our deliberations



C. E. VANDEL  
Western Electric Co., Kansas City, Mo.  
Director

where we are facing the most important business that will come before us. We all realize how important this meeting has been, how much has been accomplished and how much we have all enjoyed the work, feeling that we have been doing good work, but now we must select a successor to our retiring president, Mr. Whitlock, and it is certainly something that we must deliberate upon carefully.

We must get as good a man as Mr. Whitlock. To my mind it would be impossible to get a better, but I believe that I know a man who will perhaps satisfy you all. I am not going to make a flowery address or nominating speech. I am going to place in nomination a man that you have all seen, most of you have met and a great many of you know. You have known him in association work, you have seen him at our conventions, you have all formed a favorable opinion of him. I can only inform you that the opinion that you have formed of him is more than doubled in his own association—they all think more of him than you do because they know him better and in his own community, his own city, he stands even higher in their estimation as a business man, as a man of character, of independence of thought than he does with you because they know him better. They have tried him out in various ways and he has never proved wanting.

I wish to place in nomination Fred B. McComas of Los Angeles.  
(Continued applause.)

CHAS. E. MEEK, New York—I heard a member of the Association say this afternoon that each year we gather in annual convention, while the sessions are interesting, the pleasantest time to him has always been the Friday afternoon session, and he hoped that he would never miss a Friday afternoon.

The man who has been placed in nomination by Mr. Salisbury I have known for a good many years. I have known him as an association man. I have watched his career. I cannot say that I have known him intimately, for until Mr. Salisbury told you what his first name was, although I have known him for fifteen or twenty years, I have never heard it. I do not know what his middle name is, for I have always known him as "Mac" and I surmise that the majority of this audience have known him in this same way.

He entered the ranks a number of years ago, and has been a faithful soldier and his splendid service entitles him to the best the Association can give. On behalf of New York and the eastern section of the country I take a great deal of pleasure in seconding the nomination of Mr. McComas as president of this organization.  
(Applause.)

Nomination also seconded by representatives of Rochester, Chicago, Pittsburgh, Omaha and Des Moines associations.

By action of the convention, the secretary was instructed to cast the unanimous vote of the Association for Mr. McComas as president for the coming year.

PRESIDENT WHITLOCK—The vote having been cast, I therefore declare F. B. McComas elected president of this Association for the coming year. (Applause.) I will request Charles Biggs and George F. Hovey to escort Mr. McComas to the platform.

Mr. McComas, it is an exceedingly pleasant duty and one which I consider a personal one that this convention has instructed me to inform you that you have been selected as its standard-bearer for the coming year and elected to the presidency of the National Association of Credit Men.

MR. MCCOMAS—

*Mr. President, Members of the Association and Visitors:*

I am fully sensible of the responsibilities which go with this office and I assure you that I appreciate the great honor which you have bestowed upon me. I have attended with great interest upon the different sessions of this convention and have been deeply struck at the way the members of the convention have given their attention and time to these meetings.

So much has been said from first to last that for me to add anything more to this convention would be, as a friend said regarding another series of meetings where splendid speeches had been made and eloquence run wild, when a laborious speaker then attempted to improve it, "That's a good deal like a man trying to pin a piece of calico on the silk dress."

I assure you that I am not going to make any address of that kind. I appreciate probably as much as anybody here the great work that this Association is doing. I realize that it calls for work from the president. That reminds me of my little talk the other night with our good friend Whitlock.

I said to him, "Whitlock, I presume there is more work connected with this office than I have any idea of. I have allowed myself a certain amount of time from my business and I hope it will be sufficient," and he said, "Well, I will tell you, Mac. If you find you are too busy, just drop me a line and if there's anything I can do or any of these associations around here that I can call on or any trouble that I can straighten out for you, I will be glad to do it." (Applause.)

I am just in the right frame of mind now to go ahead and make a speech that would probably give you the idea that I am not a humorist, as I have been counted in the past, but possibly a bit sloppy, so I will stop right here and unburden to you just one little thought connected with the responsibilities of taking this office which I confess I had not taken into consideration.

I realize that it will be necessary for me to be away from home; I realize that many of you will have suggestions to offer for little visits here and there; I realize that they cannot all be acted on and invitations accepted; I realize that many invitations call for diplomatic turn-downs. I had not forgotten these things, but I have quite forgotten about that long wait in the hall before you were ready for me. (Laughter.) Why, I felt like a lost soul—and there are two more out there just like me. (Laughter.) So again, permit me to thank you for this great honor which you have thrust upon me. I sincerely thank you. (Applause.)

MR. WHITLOCK—Mr. President, I desire to invest you with the sign of authority, the gavel. I hope that it will not be necessary for you to use it more strenuously than it has been necessary for me to use it during the past year.

(President McComas takes the chair.)

H. E. CHOATE, Atlanta—Perhaps there is nothing so calculated to sober a man as to be unexpectedly confronted with some

unexpected and unaccustomed task, however pleasing and flattering that task may be. I recall that upon an occasion when that genial philosopher of the modern school, Oliver Wendell Holmes, was asked whether he went in for rum, replied that all of his lifetime he had been a teetotaler, "but," said he, "there are companies into which I sometimes go where the atmosphere of intellect and moral force is so much more stimulating than strong drink that if I saw fit to take wine at all it would be to keep me sober."

Mr. President, never in all my life have I realized so much the force of that observation as at this moment!

It has been thought fitting that putting back of us for the moment the more austere duties and reflections that have claimed our attention up to this good hour, we address ourselves to a more pleasing, yet not a less profitable exercise. Mr. Whitlock, your fellow credit men have commissioned me to present to you these tokens of their appreciation of your splendid and unsurpassed services to this organization as an evidence of their sincere and abiding affection for you as a man. You will treasure them on many accounts, I am sure, but on none so much as for the sentiment of patriotism and of good fellowship they convey.

Your country is symbolized in this silken flag. The ties of affection that bind us in enduring friendship are expressed in this Liberty Bond. These tokens further convey to you our appreciation of your qualities of mind and heart, qualities which exemplify the type of high-minded and gifted men to whom we like to accord a niche in our cherished regard and to point to as having made possible this splendid organization of ours.

My words, Mr. Whitlock, fall far short of what my heart and the hearts of my fellows would have me convey but, to paraphrase the somewhat picturesque language of one of our distinguished speakers of this morning, I want to say that those who sentenced me to the performance of this pleasant task—in giving me notice—were almighty stingy with my time, but you understand those fellows, I am sure, as well as I do. And now, Mr. Whitlock, in presenting these tokens of our appreciation, our admiration, our confidence, our love, there remains only for me to wish you, not only on behalf of those present, but of the membership throughout this land, God speed!

Mr. Choate presents Mr. Whitlock with a beautiful silk American flag and a Liberty Bond. (Continued applause from audience, standing.)

MR. WHITLOCK—I thank you, indeed, for this beautiful expression of the sentiments and affection as outlined by Mr. Choate. This has, indeed, been a happy year for me. The members of this Association in all the points which I have visited have seemed to me to be greater friends than ever before. The activities of the Association have been greater, the results obtained have been greater. It has, therefore, been an exceedingly happy occasion, this convention in Chicago. I cannot express to you in words what I would like to. All I can do is to say that I thank you one and all. (Applause.)

PRESIDENT McCOMAS—The next order of business will be the

election of the first vice-president of this Association. Nominations are in order.

HARRY NEW, Cleveland—I have a pleasant duty this afternoon in nominating a candidate for first vice-president. It is always a pleasant duty to give somebody a reward, and the officers of this Association are elected as reward for work well and faithfully done for the Association. In this, our most momentous period, we must be doubly careful in presenting and placing in our offices men who have the ability, men who by experience and training give assurance that they are ready to meet any emergency that may arise, no matter what it may be in the Association, in their city, their state or their nation. The problems that face us in this war period are here now and may come upon us in much larger degree.

The man I wish to name, I believe, has had that experience and can give us our support. I present to you Curtis R. Burnett of Newark, N. J., as your candidate for first vice-president. (Applause.) I believe that a candidate for this office should have three important qualities or qualifications. First, I would say he should have character and high standing in his community; second, he should have successful and assured business experience, and third, he should possess the lofty ideals founded by our Association.

And now, if this convention would turn itself right at this moment or Tregoe-ize itself into a quiz and ask me what do you know about the character and the business standing of this man? I would say that the character of a man is judged by the friends he has made and held and you all know that Burnett has made and held all of us all these years. And if you ask me about his business standing or about his high standing in his community, I would say to you that whether in his church or his business or his social obligations or in his association matters there is no man in Newark (as they will tell you down there) that stands higher than he.

For two years he served the chief commercial organization of Newark as president of the local board of trade, and the state government thought enough of him to send him as a representative of the state of New Jersey to the Pan-American Exposition at San Francisco and he has held other important positions.

You may go on with your quiz and say, what do you know about the business standing of this man? Well, I think years ago he was with the Standard Oil Company, but he left them and let the Standard Oil get on as best it could without him. He formed an oil company of his own—the American Oil & Supply Company of Newark—started in a small way, he and some other men, and to-day it is one of the largest institutions in Newark. It was his progress and his skill that brought that company to its present standing in business. As in everything else, in every walk of life, he possesses the ideals necessary to carry on the work.

Your quiz continues and you say, what does he know about our Association work? The Newark association is about twelve years old. He was one of its founders, one of its charter members; five or six years ago he served as its president for two years, and from that time on the Newark association has prospered, until to-day it has a membership of about 450. For two years he served on

the board of the National Association. While I was your president he was on that board and I know whereof I speak when I say we had no member more loyal to your cause, more ready for the work assigned to him.

Then we find as chairman of the Prosecution Committee. You know that committee presented a stumbling block for this organization all these years but that committee, with him as its head, worked out the problem and, as you see from the report, we are progressing with that work, a fact that is to be credited largely to this man. To-day he heads your Committee on Credit Economies.

Now, we have elected a man from the Pacific slope and I present you a man from the Atlantic. If I could paint in the words of the poet, I might say (as I know you all feel with me): "If I could but cut one of Norway's tallest pines and of that make a pen and dip it in the ink of the ocean of eternal friendship, I would then inscribe across the firmament—'Curtis, we love you!'" (Applause.)

L. B. McCASLAND, Wichita—I come to pay tribute to Curtis R. Burnett. It was my privilege to serve on the board at the time he was a member and I can verify what Mr. New has said about this man. Any task or responsibility assigned to him was always skilfully done and done on time.

For Kansas and the middle west I second Curtis R. Burnett's nomination for first vice-president for the coming year. (Applause.)

Nomination seconded by representatives of Denver, Pittsburgh, Cleveland and Memphis associations. By action of the convention, the secretary was then instructed to cast the unanimous vote of the Association for Mr. Burnett as first vice-president for the coming year. Mr. Burnett was escorted by Messrs. Parsons and Gillespie to the platform.

PRESIDENT WHITLOCK—It gives me great pleasure to say to you, Mr. Burnett, that you have been unanimously elected as first vice-president of this Association for the ensuing year. (Applause.)

MR. BURNETT—

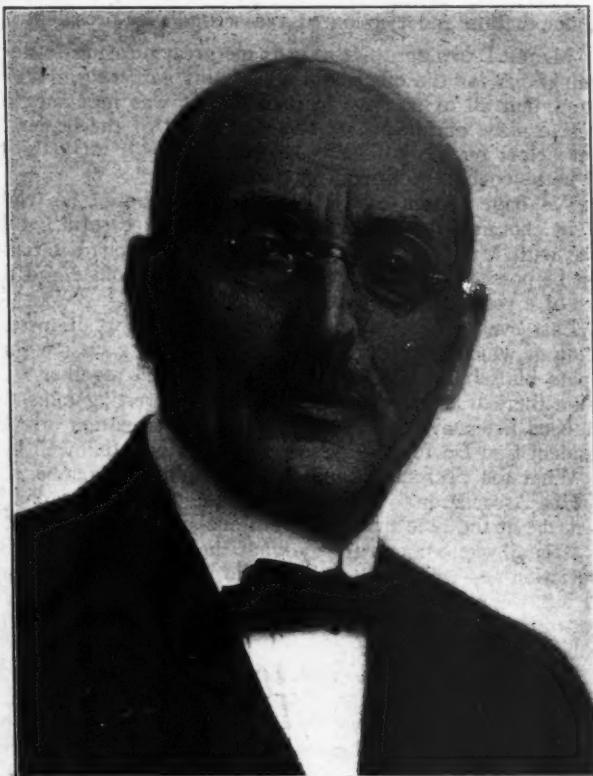
*Mr. President, Ladies and Gentlemen of the Convention:*

There is just a little tinge of regret in my mind at this moment because I come from the other side of the continent and my state, New Jersey, has not a state song. I heard the music of California when your new president came in. The band cannot play "New Jersey," though New Jersey has a song, for it is the song of industry. It comes out in our wheels, in our machinery, and if you must have the real song, you take the Edison and the Victor together and furnish music for the world. (Applause.)

This is a serious moment to me because I have had enough experience behind the scenes in this official family to realize in some small degree the importance of the work that we are engaged in. I am willing enough to pledge myself to give the very best that I have at my command for the work and for the welfare of this organization.

Only a few years ago friend McComas took me on the roof of the Los Angeles Athletic Association and said, "I want to show

you the biggest thing in the world." I did not know what it meant till he pointed to the Pacific Ocean. Some day on his official travels he is going to visit Newark. I, too, can take him to our tallest building in the city and point to the second largest thing in the world—the Atlantic—but the third (and you will admit it)



M. WEIL  
National Bank of Commerce, Lincoln, Neb.  
Director

largest thing in the world is the National Association of Credit Men, and it lies between those two oceans. (Applause.)

Is it not great to think that with our membership rolling up and even at the point that it is now at with one officer on the Pacific coast and another on the Atlantic and you 25,000 men and women stationed only a few hundred yards apart in sight of each other, can reach all the way across the continent? Therefore, just let me suggest this, that we take in one hand Old Glory, in

the other our Association flag and say, as Pershing said when he visited the tomb of Lafayette, "Lafayette, here we are," let us say to the authorities at Washington, "Uncle Sam, here we are, ready to defend the business interests of this country with the very best that is in us." (Applause.)

PRESIDENT MCCOMAS—The next order of business will be the nomination and election of the second vice-president.

MAJOR BARTLETTE—It affords me great pleasure to add to the nominations for the official family of this gathering. We read in history that all of us have learned how it was necessary in olden times to place one helper on the right hand of the leader and another helper on the left hand, so that his hands might be held up and he be enabled to prevail in the strife.

We have chosen our leader, we have chosen his right-hand and in choosing the left we must be equally careful. I heartily agree with Mr. New in his description of the characteristics that must be possessed by the man who occupies an office and the high office of a vice-president of this Association.

Last evening I listened to a very interesting discussion at a session of which Mr. Tregoe feels justly proud, a session for which he pats himself on the back for having called together. At that session there was given one of the most interesting talks that has ever been listened to by members of this Association on "What a President Can Do for His Association." It was followed by a talk on "What the Secretary Can Do" and "What a Member Can Do for His Association." As I said, those talks were good, but it struck me at the time that they were one-sided.

It is all well enough to say what the president can do for the Association and what any officer can do for it and what the member can, but we must never lose sight for one instant of the great, never-to-be-forgotten benefits that the Association can do for the member and for the officer.

The president and the secretary of a local association have a hard time, but they are an illustration of that old hymn, "O'er rough and rugged ways we wend our path to the stars," because that very roughness of the road brings out the best there is in him.

It has been decreed by a wise Providence that we never get to our best, never know ourselves, what is in us, and nobody else knows except through strife and toil and struggle. The man whom I have in view has done that work for his association; has been an officer in his association; has been an officer in the National Association and through it all has shown those qualities that Mr. New so graphically presented and in not one of the positions he has filled has he fallen down. He has shown, too, what every man who has occupied a position in this Association has shown—what his association can do for the man who serves truly and faithfully.

I do not believe there are any who realize what the Association can do for us, but when you come here and see over a thousand men sitting in this hall, listening to addresses and taking part in

the proceedings, though our Chicago friends have presented so many attractions which might distract us from our work, you have to admit that there must be something in the principles, in the teachings of an association which can hold men in their grip as this one does and bring them here and make them listen and listen with the deepest interest. I tell you that there is not a man who has served this Association but what has been bigger and better and nobler for that service.

So now I take pleasure in presenting the name of a man who ought by rights to belong to my state. My memory of history is a bit hazy, but I do know that in ancient times his forefathers used to belong to mine, I forget whether they fought themselves free or bought themselves free, but free they became and Missouri was no longer a subject of Louisiana.

And yet, when I go to St. Louis I feel just as much at home as I do in New Orleans; as far as that is concerned I feel very much at home in any credit association. I feel at home in Chicago or wherever I have been, but I feel peculiarly at home in St. Louis and it is with great pleasure that I present to you a man, a member of the St. Louis association, who has served it well and faithfully. His name is A. E. Gilster. (Applause and cheers.)

COL. JAMES E. PORTER, Pittsburgh—On behalf of that association in western Pennsylvania which succeeded two years ago in putting Pittsburgh on the map, it gives me the greatest pleasure to second the nomination of Mr. Gilster of St. Louis for second vice-president. When he sits on the platform with the two men who have already been elected, you will agree that there is the most wonderful trinity you have ever seen. If you elect Mr. Gilster from the state of Missouri I am quite sure that he will tell his two fellow officers the way to go. (Applause.)

Nomination was second also by representatives of the Lincoln, Wichita, Oklahoma City and Chicago associations. By action of the convention, the secretary was instructed to cast the unanimous vote of the Association for Mr. Gilster as second vice-president for the coming year.

Mr. Gilster was escorted to the platform by Messrs. Couch and Levy. (Applause.)

PRESIDENT MCCOMAS—It gives me great pleasure, Mr. Gilster, to notify you that you have received the unanimous vote of this Association for the office of second vice-president for the ensuing year. (Applause.)

MR. GILSTER—I assure you Missouri and the St. Louis association appreciate beyond measure the honor you are bestowing upon me. I am possibly peculiarly indebted to the National Association of Credit Men for the degree of success that I have obtained in commercial life. Ten years ago I hitched my wagon to a star in association work. That star is with us to-day, he is a man of the highest character, he is a man that we all love at home and is none other than our good friend, Mr. George R. Barclay. With the inspiration set before me by this man in association work, it gave me

pleasure to become active in the local association and I feel that I owe the association so much and on top of that to be honored in this way is beyond me, I assure you.

For some reason—I do not know what it is, but about nineteen years ago this same week I had about the same stage fright as I have to-day. I was married rather young, you know. I cannot help but allude to that as I see my wife over there, scared to death. (Laughter.)

At Philadelphia, the first convention I had the pleasure of attending, I was especially impressed with the character of men that were at the head of the Association. At that time F. M. Gettys of Louisville was the president and since that time, year after year men of his splendid type have been the inspiration not only for myself but for all of us.

Sometimes the most graceful English is employed in giving a description of something which is scarcely worthy of the fine language employed. But in this Association what we hold out is as good or even better than the advocates state. Our membership is built up, not by the money we spend, but by the enthusiastic devotion of each member of the organization, who appreciates the good that is to be had from the organization work. This sort of devotion and good-will cannot be overstated nor can it be bought.

I just want to close by inviting all of you to come to St. Louis for the 1919 convention (Applause) and in this connection I want to say to you that we have an official representative of the city who carries with him and has delivered to me the invitation of the governor of the State, the mayor of the city, the Chamber of Commerce, the Advertising Club, the Associated Retailers' and the Merchants' Exchange of our city, all of which shows how really sincere and genuine we are in our invitation to you and I hope the board of directors in their meeting will see the wisdom of giving us the convention next year for the service such a convention as this can render our community. (Applause.)

**PRESIDENT WHITLOCK**—The next order of business is the election of directors and I am going to ask the secretary to announce the method of procedure.

Secretary Tregoe then presented the list of tellers and gave instructions as to voting.

Secretary Tregoe then suggested that the chair declare a recess until 10 o'clock p. m. in the room adjoining the registration room, by which time the tellers would be able to announce the result of balloting for directors.

President McComas then declared a recess as suggested by the secretary.

#### ADJOURNED MEETING

**PRESIDENT McCOMAS**—The first order of business is the report of the tellers.

**SECRETARY TREGOE**—The tellers have asked me to announce the result of the ballot, which shows the following new directors elected:

L. E. Chandler, H. L. Eisen, R. G. Elliott, R. H. Gay, H. H. Humphrey, Fred R. Sargent, W. Howard Matthai, J. E. Norvell, W. P. Simpson, Wm. Tonks and M. Weil.

**PRESIDENT McCOMAS**—The announcement of the result of balloting for directors has been made. I declare the parties whose names have been read, directors of this Association for the ensuing two years.

Is there other business before the convention? There being none, on motion duly seconded, it was voted to adjourn.

The convention did then adjourn.

**Messages Rendered to the Convention**

*From Captain S. D. Buck, Baltimore, Md.*

Am grieved that I could not be with the boys. Remember me most kindly to every member. I love them all. God bless them. My doctor advised me not to attend. Hope you will have a successful meeting.

*From A. K. Matzger, Seattle, Wash.*

Regret exceedingly my inability to attend the convention and render my small bit on the program. Best wishes for the success of the convention.

*From H. G. Moore, Peoria, Ill.*

Find it necessary to be in Washington to-morrow. You cannot know how keenly I regret not being with you at the convention, but will be there later in week if possible. My sincere wishes for greatest of all conventions and every kind thought for the entire membership.

*From Enoch Rauh, Pittsburgh, Pa.*

May your convention be a most successful one in every particular. Regret exceedingly that I cannot be with you all. My best wishes are with the men comprising this splendid Association.

*From E. B. Moran, former Field Representative of Association.*

Please express sincere regards and very best wishes to convention assembled. Am sure all meetings will be most successful because purposes and ideals of the National Association cannot result otherwise. Will be glad to hear from the boys. Address Headquarters Company, 163d Depot Brigade, Camp Dodge, Ia.

**Standing Convention Committees****NOMINATIONS**

Frank H. Randel, Chairman, Philadelphia, Pa.  
F. A. Worth, Spencer-Kellogg & Sons, Inc., Buffalo, N. Y.  
J. D. Mitchell, Stagmaier & Co., Chattanooga, Tenn.  
J. M. Klingman, The Cady-Ivison Shoe Co., Cleveland, O.  
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Bronson, Gilbert, formerly of Shelbyville, Ind.

Claflin, Mrs. Aaron, formerly of Brooklyn, N. Y.

Clark, Franklin B., formerly of 7 West 42d Street, New York, N. Y.

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Dodge, Arthur W., formerly of Philadelphia, Pa.

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Keer, K. A., formerly of Vineland, N. J.

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Laube, Eli C., formerly of Sioux City, Ia.

Levit, H., formerly of 1834 First Avenue, New York, N. Y.

Lewis, Albert, formerly of 25 West 45th Street, New York, N. Y.

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Serenco, Sam, formerly of Nokomis, Ia.

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**VIRGINIA**, Richmond—Richmond Credit Men's Association. President, Harry Marks, Harry Marks Clothing Co.; Secretary, Jo Lane Stern, 905 Travelers' Insurance Bldg.

**VIRGINIA**, Roanoke—Roanoke Association of Credit Men. President, M. W. Turner, American National Bank; Secretary, B. A. Marks, Box 48.

**WASHINGTON**, Seattle—Seattle Association of Credit Men. President, A. K. Matzger, Saxon Knitting Co.; Secretary, F. A. Godfrey, E. C. Klyce Co.

**WASHINGTON**, Spokane—Spokane Merchants' Association. President, Ray R. Gill; Secretary, J. B. Campbell, Old National Bank Bldg.; Assistant Secretary, James D. Meikle.

**WASHINGTON**, Tacoma—Tacoma Association of Credit Men. President, Chas. H. Pliss, Tacoma Grocery Co.; Secretary, R. D. Simpson, Tacoma Bldg.

**WEST VIRGINIA**, Bluefield-Graham—Bluefield-Graham Credit Men's Association. President, J. G. Stone, Bluefield Candy Co.; Secretary, P. J. Alexander, Flat Top Grocer Co., Bluefield, W. Va.

**WEST VIRGINIA**, Charleston—Charleston Association of Credit Men. President, Okey Johnson, Abney-Barnes Co.; Secretary, D. C. Lovett, Jr., Lovett Printing Co.

**WEST VIRGINIA**, Clarksburg—Central West Virginia Association of Credit Men. President, W. T. Wallis, Horner-Gaylord Co.; Secretary, Bert Evans, 410 Union National Bank Bldg.

**WEST VIRGINIA**, Huntington—Huntington Association of Credit Men. President, H. C. Binns, Wats, Ritter & Co.; Secretary, H. S. Ivie, Huntington Wholesale Grocery Co.

**WEST VIRGINIA**, Parkersburg—Parkersburg-Marietta Association of Credit Men. President, C. T. Dutton, Martin-Nelly Grocery Co.; Secretary, W. H. Heermans, Graham-Baumgartner Co.

**WEST VIRGINIA**, Wheeling—Wheeling Association of Credit Men. President, S. Floyd, Greer & Laing; Secretary, John E. Schellhase, Room 31, McClain Bldg.

**WISCONSIN**, Fond du Lac—Fond du Lac Association of Credit Men. President, E. B. Hutchins, Boex-Holman Co.; Secretary, A. P. Baker, 91-93 South Main St.

**WISCONSIN**, Green Bay—Wholesale Credit Men's Association of Green Bay. President, Wm. P. Brenner, Brenner Candy Co.; Secretary, J. V. Rorer, 212 Bellin-Buchanan Bldg.

**WISCONSIN**, Milwaukee—Milwaukee Association of Credit Men. President, Carl Engelke, American Exchange Bank; Assistant Secretary, A. W. Haeser, Fay Lewis & Bros. Co.

**WISCONSIN**, Oshkosh—Oshkosh Association of Credit Men. President, Ira Parker, Jr., Ira Parker & Sons Co.; Secretary, Bessie Cronk, F. R. A. Bldg.

**Directory of Adjustment Bureaus Conducted by Local  
Associations of Credit Men Which Have Advised the  
National Office That They Are Complying with  
the Rules Adopted by the National Directors.**

California, Los Angeles, F. C. DE LANO, Mgr., Higgins Bldg.  
California, San Diego, CARL O. RETSLOFF, Mgr., 607-608 Spreckels Bldg.  
District of Columbia, Washington, R. PRESTON SHEALEY, Sec'y. and Mgr., 726 Colorado Bldg.  
Florida, Jacksonville, H. LYLE, Mgr., 506 Dyal-Upchurch Bldg.  
Florida, Tampa, S. B. OWEN, 5 Roberts Bldg.  
Georgia, Atlanta, H. A. FERRIS, Mgr., 304 Chamber of Commerce Bldg.  
Georgia, Augusta, H. M. OLIVER, Mgr., 6 Campbell Bldg.  
Georgia, Macon, J. B. MEYER, Mgr., Macon Association of Credit Men.  
Illinois, Chicago, M. C. RASMUSSEN, Mgr., 10 South La Salle St.  
Indiana, Evansville, H. W. VOSS, Mgr., Furniture Exchange Bldg.  
Indiana, South Bend, L. M. HAMMERSCHMIDT, Mgr., 710 J. M. S. Bldg.  
Iowa, Des Moines, A. W. BRETT, Mgr., 708 Youngman Bldg.  
Iowa, Ottumwa, WM. A. HUNT, Mgr., Phoenix Trust Bldg.  
Iowa, Sioux City, PETER BALKEÑA, Mgr., 601 Trimble Bldg.  
Kansas, Wichita, M. E. GARRISON, Mgr., 1009 Beacon Bldg.  
Kentucky, Lexington, J. P. JOHNSTON, Mgr., 1312 Fayette National Bank Bldg.  
Kentucky, Louisville, CHAS. FITZGERALD, Mgr., 45 U. S. Trust Co. Bldg.  
Louisiana, New Orleans, E. PILSBURY, Supt., 608 Canal Louisiana Bank Bldg.  
Maryland, Baltimore, S. D. BUCK, Mgr., 100 Hopkins Place.  
Massachusetts, Boston, H. A. WHITING, Secretary, 77 Summer St.  
Michigan, Grand Rapids, WALTER H. BROOKS, Sec'y., 537 Michigan Trust Bldg.  
Minnesota, Duluth, W. O. DERBY, Mgr., 624 Manhattan Bldg.  
Minnesota, Minneapolis, J. P. GALBRAITH, Mgr., 241 Endicott Bldg., St. Paul.  
Minnesota, St. Paul, JOHN P. GALBRAITH, Mgr., 241 Endicott Bldg.  
Missouri, Kansas City, J. T. FRANEY, Mgr., 303-7 New England Bldg.  
Missouri, St. Louis, W. J. BURTON, Mgr., 323 Boatmen's Bank Bldg.  
Nebraska, Lincoln and Omaha, E. E. CLOSSON, Mgr., 320 Bee Bldg., Omaha.  
New Jersey, Newark, F. B. BROUGHTON, Mgr., 671 Broad St.  
New York, Buffalo, W. B. GRANDISON, Mgr., 1001 Mutual Life Bldg.  
Ohio, Cincinnati, JOHN L. RICHIEY, Sec'y., 631 Union Trust Bldg.  
Ohio, Cleveland, T. C. KELLER, Commissioner, 322 Engineers' Bldg.  
Ohio, Columbus, B. G. WATSON, Mgr., 411 The New First National Bank Bldg.  
Ohio, Toledo, F. A. BROWN, Mgr., 723 Nicholas Bldg.  
Ohio, Youngstown, W. C. MCKAIN, Mgr., 1106 Mahoning National Bank Bldg.  
Oklahoma, Oklahoma City, EUGENE MILLER, Mgr., 625 Insurance Bldg.  
Oklahoma, Tulsa, W. A. RAYSON, Mgr., Simmons Bldg.  
Oregon, Portland, W. B. LAYTON, Mgr., 641 Pittock Bld.  
Pennsylvania, Allentown, Lehigh Valley Association of Credit Men, J. H. J. REINHARD, Mgr., Hunicker Bldg.  
Pennsylvania, New Castle, ROY M. JAMISON, Mgr., 509 Greer Block.  
Pennsylvania, Philadelphia, DAVID A. LONGACRE, Mgr., Room 801, 1011 Chestnut St.  
Pennsylvania, Pittsburgh, A. C. ELLIS, Mgr., 209 Chamber of Commerce Bldg.  
Tennessee, Chattanooga, J. H. McCALLUM, Mgr., Hamilton National Bank Bldg.  
Tennessee, Knoxville, F. E. LOWE, Mgr., 620 Holston National Bank Bldg.  
Texas, El Paso, S. W. DANIELS, Mgr., 35 City National Bank Bldg.  
Texas, Houston, F. G. MASQUELETTE, Mgr., 1117 Union National Bank Bldg.  
Texas, San Antonio, HENRY A. HIRSHBERG, Mgr., Chamber of Commerce.  
Utah, Salt Lake City, WALTER WRIGHT, Mgr., 1411 Walker Bank Bldg.  
Virginia, Norfolk, SHELTON N. WOODARD, Mgr., 1210 National Bank of Commerce Bldg.  
Virginia, Richmond, JO LANE STERN, Mgr., 905 Travelers' Insurance Bldg.  
Washington, Tacoma, W. W. KEYES, Mgr., 802 Tacoma Bldg.  
West Virginia, Clarksburg, Central W. Va. Credit and Adjustment Bureau, U. R. HOFFMAN, Mgr., 410 Union Bank Bldg.  
West Virginia, Huntington, Tri-State Credit and Adjustment Bureau, Inc., HARRY F. ELAM, Mgr., 705 First National Bank Bldg.  
Wisconsin, Milwaukee, S. FRED WETZLER, Mgr., 734 First National Bank Bldg.  
Wisconsin, Oshkosh, CHAS. D. BREON, Mgr., 83 Monument Sq.; Asst. Mgr., BESSIE CRONK, F. R. A. Bldg.

The Adjustment Bureaus conducted under the auspices of affiliated branches of this Association aim to bring about "friendly adjustments" as representing the most economical means in all respects of handling embarrassed estates. Standing as they do for the soundest principles, these bureaus should be given the cordial support of all members. Whenever creditors feel that justice is not being done by the operating bureaus, they have a resort to the office of the National Association, with which all grievances should be filed. See the Directory of Adjustment in this Bulletin.

DON'T be an easy mark for the beguiling collection agency. It is not a matter only of money paid in advance under all sorts of guarantees; of turning money over on your accounts for which the agency becomes virtually trustee; but of your own good name being associated in the minds of even poor payers with a concern of low tone.

Remember that the financial responsibility of a collection agency is of the highest importance to a patron and should be carefully investigated. If good and satisfactory evidence is not available, you should insist upon *adequate* bonded protection. Before giving accounts to an agency to collect, insist that they be deposited in a separate trust account and under no circumstances be mingled with moneys that the agency may legitimately apply to meet its current expenses. Failure to observe this rule has been the primary cause of the downfall of almost every unsuccessful or dishonest agency. The National Association of Credit Men has specialized for several years in reporting for its members on collection agencies. Its reports are available to any member as a part of membership service. There is no charge to members who make use of this service.

